

Chapter 6

Effective institutional arrangements in the Tri-State Region

This chapter focuses on the effectiveness of region-wide governance. The region faces challenges associated with articulating and implementing region-wide plans to address workforce development, innovation capacity, transportation and logistics and green growth. At issue is how to go about developing and implementing these action plans effectively, and how to monitor progress and measure success over time. Main challenges include institutional fragmentation and the region's limited capacity to think and act regionally. These challenges make interstate, region-wide co-ordination difficult, leaving little energy or political capital for focusing on long-term issues. These challenges hinder the ability to appreciate the true nature of the region's competitors, both international and domestic. This chapter proposes a road map to encourage more effective, on-going Tri-State collaboration to drive growth.

Key Findings

- *The region faces challenges associated with articulating and implementing region-wide plans to address workforce development, innovation capacity, transportation and logistics and green growth. All key public and private stakeholders know what needs to be done and why it needs to be done if the region is to sustain its role as a driver of national growth and of global competitiveness. At issue is how to go about developing these action plans in a meaningful way, how to put them into place effectively, and how to monitor progress and measure success over time.*
- *These challenges compel all key public and private actors in metropolitan areas across the OECD to address public policy issues together. In the Tri-State Region, the sheer range of public and private stakeholders with a vested interest in seeing them resolved dictates that policy advice be directed at this broader set of public and private actors operating on behalf of the Tri-State Region's residents. Key to the successful articulation and successful implementation of region-wide plans will be the ability of all public and private stakeholders to engage in genuine collaboration instead of in petty, harmful competition for increasingly scarce resources and scale assets in a way that recognises that only the Tri-State Region will be able to compete effectively in a global marketplace.*
- *The main challenges facing the region include institutional fragmentation - the region contains over 1 700 distinct units of government, different systems of local government, duplication of service, disparities in fiscal capacity, efficiency and co-ordination challenges, especially for projects or programs that have are truly pan-regional in nature, and the region's limited capacity to think and act regionally. These challenges make inter-state, region-wide co-ordination and co-operation difficult, leaving little energy or political capital for focusing on long-term issues. These challenges hinder the ability to appreciate the true nature of the region's competitors, both international and domestic.*
- *This chapter proposes a road map to encourage more effective, on-going Tri-State collaboration to drive growth. It proposes cross-jurisdictional collaboration and underscores the need for coherent, integrated, region-wide planning for green economic development, workforce development and region-wide, inter-modal transportation. The chapter suggests that to articulate and implement the vision, region-wide institutional capacity and political engagement ought to be strengthened by generating the regional research networks required to build the evidence base to benefit the Tri-State Region and engage civic and political leaders more effectively to address the region's policy challenges on an on-going basis.*

The Chicago Tri-State Metro-Region faces various policy challenges associated with articulating and implementing region-wide plans to address key issues related to workforce development, innovation capacity, transportation and logistics and green growth in the Tri-State Region. All key public and private stakeholders are keenly aware of *what* needs to be done to address these issues effectively, as well as *why* it needs to be done if the region is to sustain its role as a driver of national growth and of US global competitiveness. At issue is *how* to go about developing these action plans in a meaningful way, how to put them into place effectively, and how to monitor progress and measure success over time.

While the challenges associated with emerging successfully from the crisis compel all key public and private actors in metropolitan areas across the OECD to address public policy issues together, the specific challenges in the Tri-State Region – and the sheer range of both public and private stakeholders with a vested interest in seeing them resolved for the benefit of the region as a whole – dictate that policy advice be directed at this broader set of public and private actors operating on behalf of the Tri-State Region’s residents. In this spirit, key to the successful articulation, implementation and success over time of region-wide plans will be the ability of all public and private stakeholders to engage in genuine collaborative action instead of in petty, harmful competition for increasingly scarce resources and scale assets and talent in a way that recognises that it is only the Tri-State Region that will be able to compete effectively in a global marketplace in the future.

This chapter will focus on the institutional arrangements required to articulate, implement and monitor region-wide development strategies in an *integrated* and *mutually-reinforcing* fashion for the benefit of all residents across the Tri-State Region while ensuring that the region can continue to contribute effectively to America’s national and international economic performance. The chapter will:

- *Section 1.* Identify specific institutional challenges that hinder stakeholders’ ability to define the Tri-State Region as a truly functional metropolitan area, including divisive intra-regional competition for scarce resources and institutional fragmentation that hinder effective collaboration and pooling of scarce resources to achieve region-wide benefits;
- *Section 2.* Propose new roles for stakeholders to achieve genuine region-wide partnering to achieve common economic, workforce and inter-modal transportation objectives;
- *Section 3.* Suggest which stakeholders might be best placed to lead, catalyse and otherwise corral existing public and private actors across the region to develop and implement a strategic vision based on clearly-identified region-wide interests through collaborative, region-wide action in order to achieve true region-wide benefits.

6.1. Main challenges

Institutional fragmentation

As with most OECD metropolitan areas, the institutional framework in the Tri-State Region is characterised by a high level of fragmentation. The Tri-State Region alone contains over 1 700 distinct units of government, each with its own set of revenue and

service provision responsibilities and authorities. Local government is divided into three categories, i.e. general purpose governments (e.g. county, municipal and township governments), special purpose governments (e.g. airport authorities, the Chicago Transit Authority, conservation districts, fire protection districts, water and sewer commissions, etc.), and school districts.¹ Special function governments and school districts often encompass multiple municipalities. The Chicago-area 21-county region includes over 2 000 local governments (Table 6.1). The state of Illinois alone has the nation's largest number of local governments, at 6 994.² By international comparison, the Paris Metro-Region, which is known to be one of the most fragmented metropolitan areas in the OECD, includes a regional authority in addition to 1 281 cities and over 100 inter-municipal bodies. By contrast, in Greater London, local authorities are composed of the Greater London Authority, 32 London boroughs, and the City of London. The Greater Toronto Area consists of one large one-tier municipality (the City of Toronto), four regional municipalities, and 23 lower-tier municipalities.³

Table 6.1. **Number and types of local governments**

	Chicago Tri-State metro region	Chicago-area 21-county region
General purpose	572	755
Special purpose	784	947
School districts	367	453
Total	1 723	2 155
GDP (2010, current USD)	USD 532.3 billion	USD 623.6 billion
Population (2010)	9 461 105	11 437 337

Source: Census of Governments, 2007, Government Integrated Directory (http://harvester.census.gov/gid/gid_07/options.html); U.S. Bureau of Economic Analysis, GDP by Metropolitan Areas (News Release: GDP by Metropolitan Area, Advance 2010, and Revised 2007–2009; September 13, 2011); U.S. Census Bureau.⁴

Adding to the sheer volume of units of government is the different *systems* of local government in Illinois, Indiana and Wisconsin. While Illinois accounts for the greatest number of governments in most categories (notably because of its 300-odd school boards in the Tri-State Region alone), the township form of government⁵ is used in Illinois and Indiana but not in Wisconsin; the village form of municipal government is used frequently in Illinois, rarely in Wisconsin, and never in Indiana. The region also presents a wide variety of special-purpose governments, which are typically responsible for delivering a specific set of services, such as airport management, public transportation, public utilities, civic services (museums, zoos, etc.), or environmental management. The number of special-purpose authorities varies dramatically depending on the nature of the purpose; for example, while there are many parks and recreation, library, and fire-protection authorities, there is only a handful of mass-transit or solid-waste management districts, consistent with the efficient-service argument (Tables 6.2, 6.3 and 6.4).

Table 6.2. Number and types of general purpose local governments in the Chicago Tri-State Metro-Region

Chicago Tri-State Metro-Region				
Type	Illinois	Indiana	Wisconsin	Total
City	58	10	1	69
County	9	4	1	14
Town	2	29	7	38
Township	158	46	0	204
Village	243	0	4	247
Total	470	89	13	572

Chicago-area 21-county region				
Type	Illinois	Indiana	Wisconsin	Total
City	60	12	25	97
Civil township	0	4	0	4
County	10	5	6	21
Town	2	38	45	85
Township	175	63	0	238
Village	260	0	50	310
Total	507	122	126	755

Source: U.S. Bureau of the Census (2007).

Table 6.3. Number and types of special purpose governments

Function	Chicago Tri-State Metro-Region	Chicago-area 21-county region
Air transportation	5	7
Electric Power	1	1
Fire Protection	155	170
Housing and Community Development	24	47
Libraries	135	145
Other and Unallocated	8	9
Other Health	15	15
Other Multi-Function	23	25
Other Natural Resources	6	33
Parks and Recreation	199	206
Public Mass Transit Systems	9	10
Regular Highway	7	7
Sewerage	47	68
Sewerage and Water Supply	9	15
Solid Waste Management	10	12
Water Supply	12	13
Water Transportation and Terminals	3	3
Other	116	161
Total	784	947

Note: "Other" category includes codes: 2, 9, 40, 51, 63, 86, 88 (primarily school building construction authorities and natural resource conservation districts)

Source: U.S. Bureau of the Census (2007).

Table 6.4. Number of school districts in the Chicago region

	Illinois	Indiana	Wisconsin	Total
Chicago Tri-State Metro-Region	327	27	13	367
Chicago area 21-county region	340	35	78	453

Source: U.S. Bureau of the Census (2007).

Having such a large number of jurisdictions brings both advantages and disadvantages to a metropolitan area like the Tri-State Region:

- On the one hand, public economics theory (Tiebout, 1956) underscores that efficiency gains can be generated when competition between local governments yields an efficient provision of public services and residential location, as households "sort" themselves into jurisdictions that provide the bundles of services that they value most highly at the best tax rates. From this perspective, the Tri-State Region benefits because its governments are attuned to residents' needs and provide efficient levels of service and taxation;

On the other hand, institutional fragmentation also creates a complex policy environment in which public services can be duplicated; and region-wide consensus is difficult to reach on medium- and long-term goals. Moreover, in an ever-tighter fiscal environment, the tax-dollar expense associated with multiple single- and multi-purpose administrative structures operating in a single functional region can become a public policy issue given the increasingly scarce public resources available to deliver public services efficiently and effectively.

In the case of the Tri-State Region, the fractured nature of the region's institutional arrangements may affect its competitiveness, growth, and economic vitality. At least two important challenges can be highlighted:

- Duplication in public service delivery, higher tax burdens, and reduced accountability and transparency;
- Limited co-ordination capacity, especially relating to economic development, workforce development and transport; and
- Limited ability to focus on region-wide planning objectives.

Examples of *duplication of service*, over-taxation, and inefficiency are numerous in the Tri-State Region, and the region's policymakers have had limited, if any, appetite for encouraging consolidation, merger, and/or actual dissolution of local governmental units. One example of a successful dissolution comes from Cook County, where in 1947 the Suburban Cook County Tuberculosis Sanatorium District was created. Over time, the need for the District's services diminished and inefficiencies emerged. In a 2003 report, the Civic Federation estimated that the cost per tuberculosis case treated by the District was USD 36 870, compared to only USD 15 665 to cases treated by the City of Chicago. The Civic Federation recommended at that time that the District be dissolved and its assets and responsibilities be transferred to Cook County. Several years later, the Illinois General Assembly passed Senate Bill 2654 (Public Act 94-1050) to do so, effective July 24, 2006 (nearly sixty years after its creation).

Multiple general purpose governments in a region may also raise *efficiency and co-ordination challenges*, especially for projects or programmes that are truly regional in

nature. Government officials in Illinois, with its 1 432 townships, have recently signalled a growing interest in this issue, driven in part by the serious budgetary pressures faced by governments throughout the state. For example, the township of Evanston, in northern Cook County, shares boundaries with the city of Evanston, and city council members there (acting in their capacity as township trustees) recently directed city staff to prepare draft referendum language for a March 2012 public vote on whether Evanston Township should be dissolved and its responsibilities transferred to the City. Estimated budgetary savings from such a move range from USD 500 000 to USD 700 000 on an annual basis; certainly not a huge figure, but meaningful to local elected officials facing a significant city budget deficit (Bullington, 2011a and 2011b).

The legal mechanics of dissolving a township in Illinois are not well-understood or developed, as it appears that while the state constitution gives individual townships the right to dissolve, Illinois statutes require that the request to dissolve a township within a county must be put to the voters of the entire county, not just the requesting township. In fact, a state legislator has introduced legislation that would give individual townships the right to call for eliminating their township highway commissioners and property assessors. The proposed legislation has not moved forward yet, but its very existence suggests that at least some local elected officials sense that the multiplicity of governments in the region is a liability, not an asset.

The region's complex governance structure also engenders a *limited capacity to think and act regionally*. It hinders the ability to appreciate the true nature of the Tri-State Region's competitors, which are international as well as domestic. Elected officials at the state and local levels, public stakeholders in economic development throughout the region and even some private-sector actors often do not recognise their interdependence within the region, nor that competitive pressures will come from metropolitan regions outside the United States. Instead, local decisions tend to be made based on a narrow sense of self-interest, with at best an inconsistent "buy-in" from other regional actors to the proposition that the overall economic development and vitality of the region can best be enhanced if efforts are co-ordinated across municipality, county, and especially state boundaries. Tri-State Region examples include the following:

- In 2011, Canadian National Railway Company (CN Rail), one of the largest railway companies in North America, announced plans to relocate a portion of its operations from Markham, Illinois, across the State border to Gary, Indiana. This relocation will likely benefit the recipient community, yet does little to increase economic activity or employment in the Tri-State Region as a whole. The move nevertheless received the enthusiastic support (along with the provision of financial incentives) of public officials in Indiana,⁶ underscoring a tendency for local economic development efforts to focus on redistributing economic activity within the Tri-State Region as opposed to increasing the value of economic activity overall.⁷
- A proposal to extend Chicago's North Line Metra commuter rail service from Kenosha to Racine and Milwaukee (KRM) and to link KRM service with the Chicago Transit Authority's existing North Line service was developed and received significant support from the local business and planning communities. Better and more frequent rail service had long been advocated by policymakers and would serve to integrate more fully the market for goods, services, and workers across county and state lines. Southeast Wisconsin leaders seemed particularly cognisant of the rich employment and business growth opportunities

along this north-south corridor.⁸ Despite these arguments – and significant local support for the project – in July 2011 the State of Wisconsin dissolved the Southeastern Wisconsin Regional Transit Authority, which had been created in 2009 to develop commuter rail service in Kenosha, Racine, and Milwaukee Counties. In addition, Metra leadership has not been very receptive to the project and it was discontinued with little indication of future reconsideration by officials in Wisconsin or Illinois (Sandler, 2011). Extra-regional opposition to the project was significant, as elected officials in Wisconsin from outside the Tri-State Region feared taking on a significant financial burden, while policymakers in Illinois were unable to generate adequate support for the project.

In both of these examples, the most difficult boundary to cross seems to have been the state line. As will be developed later, co-ordination and co-operation *within* each state seems to be effective, at least in some instances, while engagement *across* state lines seems to be more difficult, at least for public sector entities. These sometimes parochial approaches to economic development imply that less time, energy and resources are being devoted to “growing” the region as a way to attract physical, financial and human resources from around the world. Indeed one estimate (Munro, *et al.*, 2011)⁹ suggests that little job growth at the state level comes from intra-regional business relocations, while “more than 95% comes from the expansion of existing businesses (nearly 42%) and the birth of new establishments (roughly 56%).”

Fiscal constraints

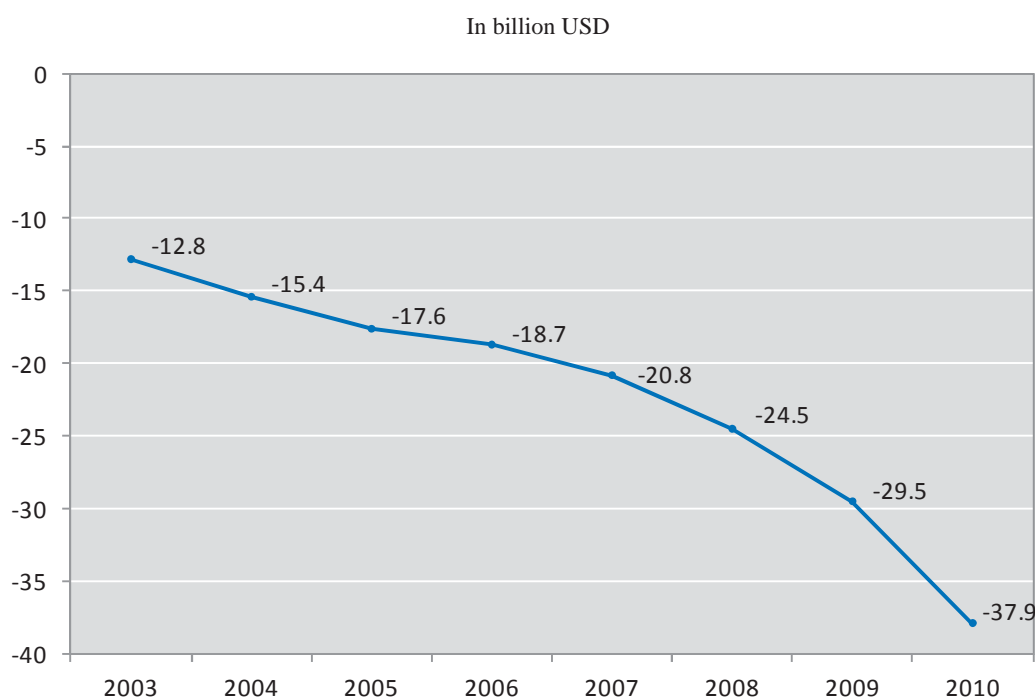
The impact of the differences in the structure of local governments in Illinois, Indiana, and Wisconsin on region-wide visioning and policy-co-ordination capacity is magnified by the need by the state governments to address their operating deficits on a pressing basis, making inter-state, region-wide co-ordination and co-operation even more difficult. Lawmakers in Illinois and Wisconsin in particular are presently preoccupied with addressing their states’ fiscal challenges, leaving little energy or political capital to spend addressing more long-term issues. This is especially true for large-scale infrastructure projects and workforce development strategies. Currently, all three states, to one degree or another, face significant operating deficits and high structural debt, as do most of their local governments:

- *Illinois* continues to struggle with structural deficits caused in large part by underfunded pensions, with little political will to address fiscal problems. The state’s yearly operations budget (USD 33 billion in FY 2011) has included a general operating-fund deficit that reached USD 9.4 billion in FY 2010. In fact, a recent audit of the state’s financial condition¹⁰ reported that its debt (excess of accrued liabilities over assets) reached nearly USD 38 billion in the fiscal year ending June 30, 2011 (Figure 6.1), a figure that is likely *understated* because of the treatment of future pension payment obligations (Novy-Marx and Rauh, 2011a).
- *Indiana* also faces a budget deficit for FY 2012, albeit a modest one due to recovery in the automotive industry and to tough spending cuts enacted in 2009, when revenues began to deteriorate (McNichol *et al.*, 2011; Ketzenberger, 2011). Indeed both the executive and legislative branches of state government have been able to work together to cut spending and avoid running large deficits.
- *Wisconsin’s* fiscal condition lies between those of Illinois and Indiana. In early 2011, Wisconsin’s new governor faced a USD 137 million deficit and a projected

USD 3.6 billion deficit in the following two-year budget cycle, which led to contentious budget negotiations between the governor and the state legislature over proposed budget cuts and changes to the state's collective bargaining laws.

In the case of Illinois, which among the states in the Tri-State region faces the most significant fiscal constraints, the state's budget challenges pre-date the recent crisis. A 2010 study by the National Conference of State Legislatures found the Illinois' financial situation to be the worst among any state in the US (National Conference of State Legislatures, 2010). Lawmakers have for some time been struggling to correct the structural mismatch between revenues and expenditures. A study by the Pew Center (2009) indicates that Illinois has run deficits every year since the last recession in 2001; the State's short-term responses to address the budget gaps have relied heavily on delaying payments, notably to Medicaid providers, and skimping on the State's annual pension plans.¹¹ In 2011, the state passed (temporary) increases in its personal and corporate income tax rates, with the personal rate rising from 3% to 5% and the corporate rate rising from 4.8% to 7.0%.¹²

Figure 6.1. **State of Illinois deficits for net assets of governmental activities (fiscal years 2003-10)**



Note: Numbers reflect restatements.

Source: State of Illinois, Office of the Auditor General, "Statewide Financial Statement Audit Report for the Year Ended June 30, 2010."

It is not surprising then that Illinois' local governments, in addition to those in Indiana and Wisconsin, also face serious financial pressure. Following the 2011 local elections in Chicago, the incoming City administration inherited a substantial operating deficit, projected at USD 635.7 million for FY 2012 (City of Chicago, 2011). Similarly, the incoming Cook County Board recently released preliminary FY 2012 budget estimates showing a USD 315.2 million deficit in the County's operating budget. Underfunded

pension and other post-employment obligations also represent enormous burdens on these local governments (Novy-Marx and Rauh (2010)). The local business community is well aware of the underfunded-pensions problem that has plagued the State since the mid-1990s and has advocated for substantial reforms to state and local government pension plans and funding commitments (Pew Center, 2009; Commercial Club of Chicago, 2010).¹³ In Indiana, caps on property taxes have drastically reduced municipal and school district budgets, leading to budget cuts and layoffs,¹⁴ while part of Wisconsin’s strategy for handling the budget crisis has involved cutting aid to local governments, reducing aid to municipalities by USD 59.5 million and to counties by USD 36.5 million in 2012.¹⁵

These fiscal constraints are worsening in a context where all three states have sizeable unmet infrastructure needs. As Chapter 1 underlined, transit infrastructure alone is significantly underfunded: Cook County’s Regional Transit Authority (2007) estimates that investments of USD 7.3 billion would be necessary over a five year period to maintain the transport system, an additional USD 1.1 billion would be needed to enhance it, and USD 2 billion more would be needed to expand it over that period. The cost of maintaining, enhancing and expanding the system over 2007-37 is estimated at USD 57 billion (RTA, 2007; CMAP, 2010).

Illinois and, to lesser extent, Indiana and Wisconsin have yet to plan and implement adequate funding arrangements for state employee pension plans (Table 6.5). State tax revenues have rebounded of late (Table 6.6), most sharply in Illinois due to its recent rate hikes, but the funding demands are significant. The most recent infrastructure “report cards” prepared by the American Society of Civil Engineers to measure the current state of infrastructure show overall “grades” of D+, D+, and C-, all well below-average marks, for Illinois, Indiana, and Wisconsin, respectively, indicating serious deficiencies in bridges, roads, water infrastructure, and other key public sector capital assets (American Society of Civil Engineers, 2010). On the pension front, Novy-Marx and Rauh (2011b) estimate that *annual* tax increases of nearly USD 2 000 per household are needed in Illinois for state plans to reach fully funded status over the next 30 years.

Table 6.5. State pension plan measures

	Funded ratio, FY (Pew, 2009)	Conservative funded ratio, FY 2009 (Novy-Marx and Rauh, 2011)
Illinois	0.51	0.41
Indiana	0.67	0.54
Wisconsin	1.00	0.69

Source: Pew (2010), Novy-Marx and Rauh (2011a).

Table 6.6. Percent change in state tax revenues

	2010 Q1 to 2011 Q2			
	Personal income tax	Corporate income tax	Sales tax	Total
Illinois	16.1%	31.2%	8.8%	12.1%
Indiana	16.2%	38.3%	5.5%	7.3%
Wisconsin	10.2%	6.0%	4.7%	7.6%

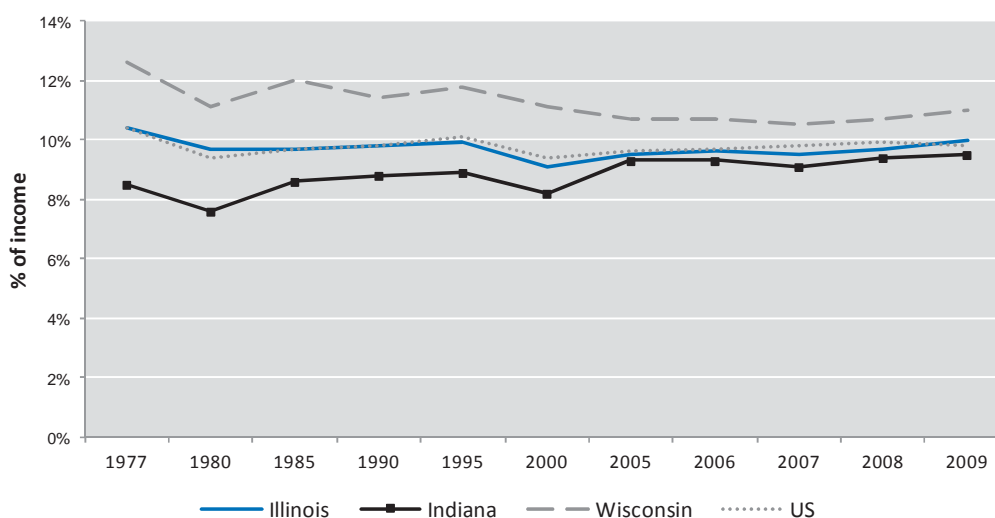
Source: Dadayan (2011).

Tax competition

In the context of sustained spending pressures, the states' different tax-policy responses to address deficits can influence where companies locate, further affecting "region-building" efforts. While taxes are unlikely to be the only factor affecting business decisions about where to locate, they are often an important component in those decisions. Illinois, Indiana, and Wisconsin rank differently by several measures related to tax burden and business tax climate:

- According to the Tax Foundation, which constructs a business tax climate index for each state, Indiana ranked 10th in terms of best business climate, Illinois ranked 23rd (*before* the State raised its rates) and Wisconsin ranked 40th. The Tax Foundation's index reflects state taxes on corporate income, personal income, sales, and property, as well as unemployment insurance (payroll) taxes. Corporate rates, in particular, are highest in Illinois, with a rate of 9.5%, with Indiana close behind at 8.5% and Wisconsin at 7.9% (Tax Foundation (2011)).¹⁶
- A recent review of corporate tax rates (Hodge, 2011) indicates that the combined federal (at 35%) and state corporate tax rate in all 50 states now exceeds that of France, whose (combined national and regional) rate of 34.4% is 3rd highest among OECD countries. It appears that federal tax policy, not just state tax policy, will affect the overall business climate in the Tri-State region, though inter-state differences in corporate tax rates may remain the primary regional motivator for businesses deciding where to locate within the Tri-State region.
- The overall combined state and local tax burden in Illinois, Indiana, and Wisconsin has evolved over the last 35 years, with Wisconsin's rates ranking consistently higher than the US average, Illinois at about the US average and Indiana slowly converging toward Illinois (Figure 6.2). The near convergence of the index values in Indiana and Illinois in 2009 seems to dispel the commonly-held view (in Indiana) that Illinois business taxes are significantly higher than those in Indiana.

Figure 6.2. State and local tax burdens, 1977-2009



Source: Robyn and Prante (2011), "State -Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income".

Inter-jurisdictional competition within the Tri-State Region also occurs with respect to tinkering with local sales-tax rates in Illinois (with low-tax jurisdictions actively luring businesses to move there, another example of re-arranging economic activity within the region without increasing it). Localities within the Tri-State Region also differ dramatically with respect to property-tax rates, reflecting local differences in property values along with differences in preferences and costs regarding the provision of local services such as schools, parks and recreation, social services, and public safety. Municipalities often compete against others to attract business development and expansion, using tax rebates, tax credits, and other financial incentives, not only creating rivalry between neighbouring jurisdictions but generating revenue concerns for other, non-municipal governments such as school districts. This squabbling across municipalities and between municipalities and other public stakeholders in the Tri-State Region does nothing to increase the overall level of investment and economic activity in the region.

Addressing fiscal constraints

All stakeholders in the Tri-State Region need to address the serious fiscal challenges faced by the states and local governments. The region's international competitiveness requires a fair and efficient local tax system, one with transparency, accountability, and revenue adequacy, so that the region can fund the transportation, infrastructure, and other services needed by its residents and businesses to compete nationally and internationally:

- Residents face a complex, inefficient, and often inequitable tax system that cannot raise the revenues needed to pay for needed maintenance and upgrades, let alone expansion, of transportation and municipal infrastructure and other public services.
- Businesses face a complicated and unbalanced property tax system. The tax system now in place too often pits one locale against another. And municipalities too often offer financial incentives such as tax breaks or credits to attract firms who might have located or expanded there without such incentives.

There is thus a need in the Tri-State Region to:

- pursue *budgetary and tax reform* at the state and local levels; and
- explore municipal service-delivery consolidation.

Sales tax reform is a particularly difficult policy challenge. The state of Illinois currently levies a 6.25% tax on sales, along with municipalities with home-rule status. Thus, in the Tri-State Region, some residents only pay the state sales-tax rate, while others – notably residents of Cook County face combined rates ranging from 8.25% to 9.75%, depending on the municipal jurisdiction. The combined rate in the City of Chicago is 9.5%.¹⁷ Possible reforms might entail broadening the sales tax base, for example by including more services, which would likely raise the progressivity of the tax, improve its revenue adequacy, and even permit a lowering of the sales tax rate, or revising the current revenue-sharing arrangements to limit the incentives of localities to compete intra-regionally for sales tax revenue-generating activity. The multiplicity of northern Illinois' taxing jurisdictions and the complexity of the revenue allocation rules present a challenge to creating an efficient and equitable system, one that enhances, not damages, the competitiveness of the region. Not only have local businesses threatened to move across county lines in search of lower tax jurisdictions, but some firms have apparently found ways to route their sales transactions through operations in smaller

jurisdictions with lower tax rates, saving substantial tax expenses (Bergen, Sachdev, and Cancino, 2011).¹⁸

Budgetary reform will be necessary at both the state and local levels. As noted by CMAP, these reforms are needed to enhance the efficiency, transparency, revenue adequacy, and fairness that the region requires to thrive in the 21st century. The *Go To 2040* plan recommends undertaking careful review and, where appropriate, reform of sales, property, and income taxes and of state and local revenue-sharing arrangements. A Regional Tax Policy Task Force is currently working on such a review, and its work is intended to be complete by early 2012. Illinois should be open to the recommendations that may emerge from the task force, whose work will continue into 2012. Furthermore, officials should continue to reform state and local government pensions and to develop funding plans to make up for years of underfunding their plans.

In the Tri-State Region, local governments should continue to *collaborate* across boundaries in pursuit of *more efficient service delivery*. Both the City of Chicago and Cook County have established a committee to investigate service consolidation, collaboration, or in some instances specialisation (Joint Committee on City-County Collaboration, 2011). The committee recommended pursuit of numerous efficiency-enhancing opportunities in purchasing, IT services, fleet management, and other areas. If these proposals are successful, direct efficiency and/or budget gains may be significant, and rules-based protocols and agreements for working together could result, thus building trust among stakeholders along with the regulatory apparatus needed for sustaining collaboration over the long term.¹⁹

Similarly, the Tri-State Region's Metropolitan Mayors' Caucus (MMC), described in the next section, has undertaken a Service Delivery Project to investigate the feasibility of consolidated municipal service provision. A report on the municipal police and fire services, for example, identified numerous opportunities for co-ordination and improved efficiencies short of complete consolidation or outsourcing to neighbouring jurisdictions (MMC, 2009). Stakeholders can look to several out-of-state examples: the City of Miami and Dade County (with joint purchasing agreements and a combined 311 call centre) and the City of Pittsburgh and Allegheny County (with similar arrangements).

At the state level, policymakers have the constitutional authority to alter the "rules of the game" for local governments, defining their legal rights and responsibilities, home rule status, bonding and taxing authority, and so on. The three state governments in the Tri-State Region should consider making changes to increase efficiency, transparency, and competitiveness by encouraging (or legislating) consolidation or the dissolution of some units of government. The state of Indiana recently considered ways to streamline local government and service provision (Indiana Commission on Local Government Reform, 2007). In turn, the governor has recommended numerous reforms to local government, including the transfer of some responsibilities from townships to counties or other units of government and a minimum size for school districts (1 000 students). These proposals are in line with those currently under review in other US states, such as New York and Michigan, which are revisiting their structure of local governments to increase efficiency (Box 6.1). That said even with cost-saving measures and pension and other structural reforms, state governments in the Tri-State Region need to invest in creating new sources of revenue, principally through the facilitation of widespread business expansion of existing firms and by increasing the number of successful start-up businesses. One observer notes that:

“Most discussions about Illinois’ deficit focus on cutting waste and reforming the pension system... unless we couple cost reduction and other structural deficit remedies with a new economic development strategy that dramatically increases the number of new and high wage jobs, we will never crawl out of this hole.” (“Look to private sector for recovery”, *Daily Herald*, December 19, 2010).

Box 6.1. New York and Michigan: toward consolidation and joint service delivery at the municipal level?

New York State recently reviewed its local government structure and prepared lengthy recommendations, including government consolidation and joint service delivery (New York State Commission on Local Government Efficiency and Competitiveness, 2008). Similarly, the Citizens Research Council of Michigan has hosted symposia and published papers related to the structure of local governments in Michigan, at one point going so far as to recommend a substantial decrease in the number of such governments and eliciting defensive responses from local government officials (Citizens Research Council, 1999; Michigan Townships Association, 1999 and undated). At present, however, Michigan seems to have focused its efforts on encouraging more collaboration and joint service provision among its local governments (Citizens Research Council of Michigan, 2008; State of Michigan, Michigan Shared Public Services Initiative, 2011; and Klaft, 2010).

Source : New York State Commission on Local Government Efficiency and Competitiveness, 2008; Citizens Research Council, 1999; Michigan Townships Association, 1999 and undated; State of Michigan, Michigan Shared Public Services Initiative, 2011; and Klaft, 2010.

6.2. Tri-State collaboration to drive growth

Despite the complexity of local governance and the sometimes fraught institutional relationships in the Tri-State Region, stakeholders have already successfully undertaken some projects requiring extensive collaboration and co-ordination across multiple agencies and jurisdictions. Regional leaders should therefore build on these successes and extend their reach in a manner consistent with an integrated vision of the region as a dynamic, competitive metropolitan area driving America’s national economic growth and international performance:

- The non-profit *Metropolitan Planning Council* (MPC), for instance, has been instrumental in assisting local governments in the development of collaborative, inter-jurisdictional grant proposals. MPC partners with groups from the private, civic, and governmental sectors to develop research, advocate solutions, and implement regional policies; it also works with local leaders to ensure that local plans are consistent with the region’s overall plans, CMAP’s *Go To 2040* plan and NIRPC’s 2040 plan for northwest Indiana. It has a long history of involvement in the areas of transportation and housing, which are issues that are best tackled regionally: MPC has long supported comprehensive regional transportation strategies and projects, such as the recently signed legislation permitting the use of public-private partnerships to fund new transportation infrastructure, the Illinois Tollway Authority’s 2011 comprehensive capital plan to expand and upgrade its toll ways and to move toward congestion pricing, and several Bus Rapid Transit (BRT) projects for the City of Chicago. It has also been successful in providing technical assistance to local governments in the

development and implementation of inter-jurisdictional agreements for housing, allowing these groups to take advantage of incentives to promote inter-municipal collaboration (MPC, 2011).

- Building consensus on a common way forward sometimes means making a concerted effort to put aside divisive issues. This strategy was key to the success of the *Metropolitan Mayors Caucus*,²⁰ which explicitly chose to work on matters of mutual concern, while deferring issues on which conflicts were deep and pervasive (e.g. expanding O’Hare vs. building a south suburban airport). Similarly, officials in Illinois and Indiana have worked successfully together over an extended period to rebuild and widen the Kingery and Borman Expressways, aiming to improve travel times and increase safety along this crucial east-west corridor. This experience should make the next joint project, the proposed Illiana Expressway, easier to plan, design, and implement. More importantly, these experiences may lay the groundwork for undertaking other, more ambitious and possibly more contentious projects in the future.

Stakeholders should therefore focus on building region-wide dialogue using *existing regional institutions* to address the region’s challenges. They need not create *new* regional institutions over top an already complex and fractured system of local governments, and the numerous business, non-profit and public planning organisations which already possess a wealth of technical expertise and political capital. Furthermore, efforts must be consistent with the overall regional plans already developed and should be flexible and responsive to the specifics of a given situation. Some projects will require co-operation of a small number of governments and agencies, while others are larger in scope and will need co-ordination of a larger group.

Cross-jurisdictional collaboration to drive growth: the need for Tri-State level planning

While some stakeholders take a dim view of the very notion of a Tri-State Region – reinforced by the region’s many jurisdictional boundaries – there are nevertheless several core representative organisations from the business, non-profit and governmental sectors that have demonstrated a substantive understanding of the region and the challenges and opportunities it faces from globalisation. For planning purposes, the functional geography of the Tri-State Region is covered by the area’s three Metropolitan Planning Organizations (MPOs) which are ideally placed to contribute substantially to the creation of a Tri-State Regional vision/agenda:

- The Chicago Metropolitan Agency for Planning (CMAP);
- The Southeastern Wisconsin Regional Planning Commission (SEWRPC); and
- The Northwestern Indiana Regional Planning Commission (NIRPC).

Each is responsible for engaging in integrated planning in the areas of transportation, housing, land use, open space, and economic development within their state-mandated metropolitan jurisdiction and has recently been engaged in developing metropolitan plans (Box 6.2). These regional planning agencies offer several advantages, as they are equipped with a comprehensive, multi-sector vision of their jurisdiction, including both the challenges faced in a given domain (transportation, housing, land use), as well as the potential complementarities and trade-offs between these issues. They also possess a wealth of regional quantitative data in a variety of areas pertinent to urban and

metropolitan development, along with solid experience in engaging citizens to help shape a regional vision.

Box 6.2. Three metropolitan planning agencies, three regional plans within the Tri-State Region

Within the Tri-State Region, three major metropolitan planning agencies – one from each state – exist and are tasked with developing a comprehensive plan for their jurisdiction:

- The Chicago Metropolitan Agency for Planning (CMAP) is the official regional planning organisation for the seven counties in north-eastern Illinois: Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. CMAP developed *Go To 2040* (CMAP, 2009), a comprehensive regional plan that offers a blueprint for the seven counties and 284 communities in north-eastern Illinois on how to address the Chicago region's needs in the areas of transportation, density and land use, human capital, natural resources, and governance. This plan, which builds in part on an ambitious and wide-ranging plan prepared by the Commercial Club of Chicago in 1999 (Johnson (1999)). In terms of governance, the plan singles out three specific issues: (i) reforming state and local tax policy; (ii) pursuing co-ordinated investments; and (iii) improving communications.
- In the Milwaukee area, the Southeastern Wisconsin Regional Planning Commission (SEWRPC) is the official Metropolitan Planning Organization (MPO) for the seven counties of Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha in Wisconsin. The Commission's comprehensive plan for southeastern Wisconsin includes co-ordinated plan elements of land use, housing, transportation (including public transit, bicycle and pedestrian facilities, systems management, demand management, arterial streets and highways, and airports); water supply, water quality management, including sanitary sewerage facilities and non-point source runoff, flooding mitigation; parks and open space; and natural resource preservation. SEWRPC was also actively involved in the recently discontinued initiative to provide commuter rail service between Kenosha and Milwaukee (the KRM project, described above).
- The portions of northern Indiana within the Chicago Tri-State Region (Lake, Porter, and LaPorte counties) are served by the Northwestern Indiana Regional Planning Commission (NIRPC). NIRPC has developed a draft of its Comprehensive Regional Plan 2040, which, like CMAP's *Go To 2040*, lays out an overall vision for land use, transportation, the environment, and economic development in the region. Indiana's plan articulates several governance-related goals, such as "efficient and co-ordinated local government." Specific objectives include: "Facilitate the consolidation of redundant local government services; Promote co-ordination of land use and corridor planning across jurisdictional boundaries; Foster better communication, co-operation, and co-ordination to better leverage resources; Promote the sharing of benefits, burdens and costs among governments."

Source: NIRPC (2011).

The Tri-State Regional planning agencies could deepen their existing partnership to co-ordinate more deliberately across jurisdictional boundaries. The leaders of these organisations have, by law, limited geographic mandates, but should nonetheless meet and collaborate regularly where possible. A 2002 multi-state accord between NIRPC, SEWRPC, and CMAP, amended in 2008 to include the Southwest Michigan Regional

Planning Commission, already exists and has been described as an “historic agreement in which the planning agencies have committed to work together as they consider major environmental and economic issues, enabling planning at the watershed or aquifer scale without the limitation of traditional political boundaries” (NIRPC, 2011). The accord originally led to research and projects related to regional water resource management, for example, the establishment of the Southern Lake Michigan Regional Water Supply Consortium in 2005 (CMAP, 2010a). More recently, the directors of the four constituent regional planning agencies have discussed co-ordination of projects to develop regional trails, with progress described by CMAP (2010b) in its report on regional greenways and trails in north-eastern Illinois.

Examples of interstate co-operation that reflects the functionality of a region that straddles state boundaries elsewhere in the United States could be helpful here. For instance, the two-state Greater Philadelphia Area offers an example of interstate co-ordination that could be an interesting model for the Tri-State Region. The Delaware Valley Regional Planning Commission is the agency charged with land use and transportation planning in this area, which includes nine counties (Bucks, Chester, Delaware, Montgomery and Philadelphia in south-eastern Pennsylvania; and Burlington, Camden, Gloucester and Mercer in southern New Jersey). The DVRPC has prepared a strategic plan, *Connections 2035*, which addresses land use, environmental policies, and transportation within the region. Like the plans created for the Chicago Tri-State Region, *Connections 2035* emphasises how the region’s economic competitiveness depends on making comprehensive and co-ordinated investments in transportation and other infrastructure, transit systems, and the like.

Implementing these plans in Delaware/Pennsylvania required stakeholders to identify cross-boundary issues of mutual concern, which can only be addressed efficiently through partnerships that transcend jurisdictional borders – in these cases transportation infrastructure and the need for people and goods to be able to move seamlessly across state lines within the functional metropolitan region. Stakeholders recognised, either implicitly or explicitly, that solving these challenges would be of mutual benefit to all jurisdictions involved. This implies building trust between and among the stakeholders. Leaders from government, business and the non-profit sectors need to learn from their experiences in consensus-building to generate the trust, legal framework, and inter-jurisdictional agreements needed to tackle more contentious or difficult region-wide challenges.

At issue is *how* this planning co-operation should be broadened and deepened in the Tri-State Region. Several possibilities can be considered:

- The three State legislatures could pass legislation, or enact a Compact (analogous to the arrangements governing water management across the great lakes (see Box 6.1) mandating each of the MPOs to integrate their plans across state lines to recognise fully the functionality of the region in key priority areas under their responsibility;
- Since there is nothing in their enabling legislation or in their regulatory framework that *prevents* inter-state co-operation, the MPOs themselves could take the initiative to meet and agree to integrate their plans over time. They could seek resources from Foundations and the private sector to support this integration;
- Interested foundations across the Tri-State Region, in partnership with the private sector, could drive a process to ensure that the MPOs integrate their spatial plans.

Box 6.3. Great Lakes Water Compacts

Great Lakes water management in the Chicago Tri-State region benefits from institutional arrangements based on co-ordination and collaboration across multiple governments that have become the norm: Federal, state, and local officials co-operate routinely to plan and implement policies related to the environment, water usage, and other aspects of the Great Lakes. Processes and institutional frameworks developed over several decades offer real promise in two important ways. First, the long-standing needs of clean-up, restoration, and protection of the Great Lakes are being seriously addressed by regional stakeholders, with meaningful support and co-ordination from the federal government. Second, the process offers a model on how other issues of regional importance may be addressed in a collaborative and co-ordinated fashion. Some of the institutional arrangements include:

Great Lakes Congressional Task Forces

The Great Lakes Congressional Task Forces are bipartisan groups formed by selected members of the Northeast-Midwest Congressional and Senate Coalitions. These task forces were established in the 1980s to encourage co-operation in the task of enhancing the environmental and economic health of the Great Lakes (Northeast-Midwest Institute, 2011). The task forces advocate for federal policies, legislation, and funding to promote these goals.

Great Lakes Regional Collaboration (GLRC)

The GLRC was officially established in December 2004, following President Bush's May 2004 signing of Executive Order 13340, which established the Great Lakes Interagency Task Force and directed the Cabinet to "promote a 'Regional Collaboration of National Significance' for the Great Lakes" (GLRC, 2011). This directive was intended to foster "collaboration among the US federal government, the Great Lakes states, local communities, Tribes, and other interests in the Great Lakes region as well as Canada" (GLRC, 2004). The GLRC identified nine issues of concern and in 2005 developed a strategy and action plan to protect and enhance the Great Lakes, laying out a plan with estimated cost of USD 26 billion for full implementation (Austin *et al.*, 2007a). On parallel track to this partnership of federal, state, and local governments and agencies, the Brookings Institution established its Great Lakes Economic Initiative in 2005 and has since sponsored substantive and on-going research and policy development efforts related to the GLRC Strategy, resulting in a 2006 framing report (Affolter-Caine and Austin) and a 2007 cost-benefit analysis of the Strategy (Austin *et al.*, 2007b).

Great Lakes Basin Compact

This interstate compact, established by joint legislation of the member states in 1955 and confirmed by Congress in 1968, includes eight US states (Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin) with the Canadian provinces of Ontario and Quebec as associate members. This compact established the Great Lakes Commission, which administers the compact in such a way as "To promote the orderly, integrated, and comprehensive development, use, and conservation of the water resources of the Great Lakes Basin" (Great Lakes Commission, 2011). In 2009, the federal government approved the establishment and funding of the Great Lakes Restoration Initiative, a multi-year programme to help restore the Great Lakes (Great Lakes Commission, 2010).

Great Lakes-St. Lawrence River Basin Water Resources Compact

This second interstate compact for management of Great Lakes issues was established more recently, in 2008. The purpose of the compact is to bring the states together to manage the Lakes' water resources, including usage and diversions, which was one of nine issues initially identified by the GLRC when it began its work in 2003 and 2004.²¹ Through the Council of Great Lakes Governors (CGLG), the leaders of member states work together to ensure the region's freshwater resources are protected and used wisely.²²

Under a scenario in which either the private sector and foundations, or the MPOs themselves, lead a process to integrate the region's planning, the long-term policy objective should be to demonstrate to the three State governments that such integration is not only warranted, but key to the long-term competitiveness of the functional region and that therefore this co-operation should be sanctioned in legislation or Compact-type agreements. However, the State governments will only see it in their interests to engage in developing this type of Compact arrangement for integrated economic development planning in the Tri-State Region if the region itself can demonstrate that because it will benefit so too will the three states. It is up to the Tri-State Region's key stakeholders, therefore, to prove that the State governments have an interest in supporting region-wide integrated planning and should therefore act to enhance the Tri-State Region's capacity to engage in it.

At issue as well is the *focus* of integrated planning for the Tri-State Region: *what* would the MPOs work together to achieve *where*? CMAP and the other MPOs have suggested in their long-term planning exercises that planning should be integrated and multi-sector, focusing on economic development, community liveability, workforce development and region-wide mobility for people, goods and services. Integrated planning in the Tri-State Region should focus on the clusters of policy issues that speak to the Tri-State Region's functionality. In this regard, spatial scalability is also an issue: where it makes sense, the spatial footprint of the integrated planning can in fact extend to the 21-county region, particularly with respect to transportation/logistics planning and economic development more broadly. So, the focus of integrated planning should consider the spatial scale along with the relevance of pursuing multi-sector policy objectives at that scale. In other words, region-wide planning if necessary but not necessarily region-wide planning, at the Tri-State or 21-county region of coverage.

Integrated, region-wide targeted planning could focus on:

- *Economic Development*, including cluster building, business productivity and innovation capacity in legacy and emerging clusters, particularly in the green economy, international market projection and branding, and attracting foreign direct investment and technological advancements into the Tri-State Region;
- *Workforce Development*, including human capital formation, attraction and retention, matching skills supply with demand across the Tri-State Region at all levels of economic activity, enhancing labour productivity and innovation capacity across the Tri-State Region;
- *Transportation and Logistics Development*, including integrated, intermodal, region-wide plans aimed enhancing the fluid, seamless mobility of people, goods and services into, through and out of the Tri-State Region.

Community liveability and attractiveness is as much a spatial issue as it is an economic one: spatial concentrations of poverty, access to transit, education and basic human services and the spatial and economic integration of at-risk groups represent challenges to social cohesion across the Tri-State Region as much as to the ability of the region to attract highly qualified people, investment and technology. Greening the region's environment and reducing its carbon footprint are as much an economic as a social challenge. Hence, these are horizontal, cross-cutting issues than should be addressed in each of the region-wide plans.

Of course, the MPOs cannot engage by themselves in developing and implementing this type of region wide plans. Indeed, as will be highlighted in the next section, in some

cases it might make sense for the private foundations in the Tri-State Region to lead; in other cases, it could be that the chambers of commerce or the sector-based business associations should broker interstate partnering in the Tri-State Region. Moreover, as noted above with respect to community attractiveness issues, cross-walks exist between these three planning subject-areas, with different public and private actors across the region involved depending on the policy area under consideration. Therefore, the MPOs (or foundations, or business groups), where it makes sense, should act as facilitators – table-setters – to enable dialogue between key relevant stakeholders from across the Tri-State Region and facilitate the monitoring of progress toward achieving the outcomes defined through the integrated planning process. In some cases, it might be the private sector – either through chambers of commerce or sector-specific business organisations – that acts as facilitator; in other cases, it might be public actors like the county or State governments, which play this role. In all cases, however, it is *existing* stakeholders using *existing* institutional arrangements that are best placed to enhance planning capacity and the achievement of policy outcomes effectively to meet the interests of the Tri-State Region as a whole.

Integrated, Tri-State, region-wide economic development

Attitudes towards economic development differ dramatically across areas within the Tri-State Region. As previously discussed, in many instances, officials tend to promote their own localities or jurisdictions over those of their neighbours, even if it implies little or no change in total economic activity in the region. Some progress has been made in building intra-state partnerships among local governments to enhance regional economic development;

- In Illinois, economic development efforts are concentrated in Chicago, headed by World Business Chicago (a public-private partnership established by the City of Chicago and the Chicagoland Chamber of Commerce). Their intention is to position Chicago as a global business destination, with the implication of private and public sector leaders. World Business Chicago (WBC) acts to attract businesses and economic activity to Chicago and connects businesses with incentive programmes, site selection assistance, and so on. WBC currently has several initiatives intended to accelerate economic development. For example, WBC's Universities Initiative targets five of Chicago's top graduate business schools, with a goal of leveraging the schools' faculty and professional resources to raise the city's profile in the international business community.²³ Another initiative focuses on tech company start-ups, aiming to connect entrepreneurs and innovators with resources, financial and otherwise, needed to succeed.
- In Indiana, while promising regional economic development efforts have been initiated by some local governments to join forces to attract business and economic activity, potential for inter-state co-operation has been limited, hindered in part by explicit efforts at the State level to draw economic development from neighbouring states to Indiana. For example, economic development authorities in LaPorte County and Michigan City, Indiana (one of LaPorte County's principal cities) established LaPorteCounty.biz as a joint marketing venture to attract businesses to the county, avoiding direct competition between Michigan City and other cities in LaPorte. The Northwest Indiana Forum is a larger, more policy-oriented group that includes businesses in Lake, Porter, and LaPorte counties in northern Indiana and works towards creating a stable and attractive climate for business. These examples of intra-state regional co-operation stand in stark

contrast to the position of the State regarding interstate collaboration for business attraction and development. In particular, analysts have noted the ambitious efforts on the part of the state's economic development office (Indiana Economic Development Corporation, or IEDC) to encourage the relocation of Illinois-based businesses to Indiana. A recent editorial (*Northwest Indiana Times* (2011)) described an advertising campaign funded by the IEDC and the Northwest Indiana Forum with messages such as “Illinnoyed by Higher Taxes?” as counterproductive. Indeed, the IEDC campaign did not go unchallenged. The work and vision of the Indiana Times Media Co. publisher and its Executive Editor is a good example of what civic/business leadership can do to bring about fundamental change within a state, focussing on harmonising divergent interests among municipalities. The "One Region One Vision" project introduced in September 2008 focuses on enhancing collaboration and improving the quality of life and the business climate in Northwest Indiana. The initiative generated partnerships between the public and private sectors, augmented by "coalitions" that brought together leaders with common backgrounds "to tackle issues and challenges in northwest Indiana". One of the groups formed as a result of this effort is the coalition of northwest Indiana mayors, which meets every other month to discuss common goals and solutions.

- In Wisconsin, the City of Milwaukee has recently completed a comprehensive plan to guide policy, land-use and development decisions in the city,²⁴ while the private sector has taken the lead in the co-ordination of a multi-county – yet, again, exclusively intra-State – regional economic development strategy around Milwaukee, through the formation of the Milwaukee 7. Formed in 2005 and composed of private and public-sector representatives from the seven counties of southeastern Wisconsin, the Milwaukee 7 aims create a co-operative economic development programme and retain, attract and grow businesses and jobs in the region. The Council is designed to offer a “single point of service” for firms who wish to relocate, expand, or otherwise enter the area. Further, the group has identified strategic strengths of the region as a way of guiding its business development efforts: power, automation, and electronics; food and beverage; water technologies; financial services; information technologies; and medical technology and bio-medical. Milwaukee 7 has played an active role in educating local economic development officials about the benefits of co-ordinated development plans, thus building awareness among these professionals about the benefits of less parochial pursuits of business activity and investment.

Despite these developments in intra-state co-operation, inter-state co-operation in the interest of the Tri-State Region remains limited at best. Inter-state co-operation on regional economic development needs to become a priority. That said the economic interdependence of the three states has been acknowledged to some extent already:

- Among the key strengths of the Milwaukee region cited by the Milwaukee 7 in its assessment of south-eastern Wisconsin's strengths is the area's access to northern Illinois markets for goods, services and labour.
- The Milwaukee Water Council,²⁵ a public-private partnership, builds on the strong regional assets, both public and private, in terms of freshwater research and water-related economic, bringing multiple stakeholders from both Wisconsin and

Illinois to the table around a common area of interest and expertise. The Council has convened academic researchers, the business community, and civic leaders to leverage the 21-county region's freshwater assets in view of establishing Milwaukee as the "World Water Hub" for water research, economic development, and education.

The MPOs (or the lead convener-stakeholders) across the Tri-State Region should therefore consider "leading the charge" to build more effective inter-state planning to pursue the Tri-State Region's economic development objectives. They could consider convening regular stakeholder meetings to enhance, monitor the implementation of, and monitor progress on, integrated regional economic development planning. Stakeholders in the Tri-State Region's economic development include the chambers of commerce, the business associations and their related non-government organisations, state and local governments, in particular the State departments of Commerce, research institutions and federal research laboratories in the region. All have a vested interest in the long-term economic health and dynamism of the Tri-State Region, and should be called upon to play their part in maximising its potential, using national and international experience. For example:

- The business-led Metro Denver Economic Development Corporation (EDC) has had success in pursuing cross-border regional economic development through the development of targeted sectors in which the region presents a comparative advantage, such as aeronautics and clean energy. The Metro Denver EDC co-ordinates economic development on behalf of 70 cities and 9 counties (seven-county Metro Denver and two-county Northern Colorado). The group is an affiliate of the Denver Metro Chamber of Commerce and is funded with both the public and private sectors. Metro Denver EDC's approach specifically puts the economic health of the Metropolitan Region above those of individual communities: "Each of the Metro Denver EDC's economic development partner organisations is committed to the economic vitality of the entire region. As an ambassador for the area, each is ready and able to communicate the benefits of Metro Denver first and individual communities second."²⁶
- The states of New York and New Jersey work together in several structured arrangements to provide, plan, and co-ordinate transportation and transit services in New York City and northern New Jersey. The Port Authority of New York and New Jersey manages the bridges and tunnels, PATH (northern New Jersey's commuter rail service), marine terminals, ports, and airports of the region. Interstate co-ordination is essential in managing these services and infrastructure, and it is possible that this co-ordination has been easier to achieve because of a broad consensus about the goals of service: safe, efficient transport of goods and people throughout the region.
- The Øresund region is one of the most dynamic regions in Europe and generates a quarter of the total GDP of Sweden and Denmark (Øresund, 2011a). It comprises the Danish island of Zealand, Copenhagen, Denmark's capital, and the Swedish Skåne region, including Malmö, Sweden's third largest city. Long standing cross-border co-operation in the region has been formalised politically and significantly facilitated through the Øresund Committee, established in 1993, and has strongly improved since the completion of the Øresund Bridge in 2000, which connects the two countries via road and rail and currently counts 20 400 commuters crossing the bridge for work every day (Øresundbron, 2010). The Øresund Committee consists of 18 Swedish and 18 Danish members and works on the cross-border

integration of the regional labour market, on infrastructure development, and on various projects in research, environment, culture, education and communication (Øresundkomiteen, 2008).

Groups like World Business Chicago could consider sharpening their focus on key future-oriented business clusters that truly reflect the Tri-State Region's abundant assets. The group's current strategy for attracting business to the area, which relies on the provision of an unsystematic (and potentially fiscally unsustainable) set of financial incentives, is an insufficient approach to business development (Munro *et al.*, 2011). World Business Chicago is currently developing a new Economic Growth Plan for the City of Chicago and a new strategy may emerge in 2012. A more focused approach to business development, including the development and implementation of targeted international branding strategies, could facilitate the attraction of venture capital and R&D activities to the region, making further regional development more likely and successful. Regional leaders should continue to leverage the assets of the major universities to develop a more robust and dynamic business culture. For example, several Chicago-area universities have programmes in innovation and entrepreneurship: the Polsky Center for Entrepreneurship at the Booth School of Business at the University of Chicago, with connections to the venture capital and clean energy sectors; the Farley Center for Entrepreneurship and Innovation at Northwestern University, with a focus on engineering; and Kellogg Graduate School of Management's Entrepreneurship and Innovation program at Northwestern University. These programmes, faculty, and students are tremendous resources that can support a focused economic development strategy for the Tri-State Region.

Box 6.4. The Øresund region as an inter-state economic development strategy

In 1997, the Øresund University Network was created to co-ordinate co-operation between 12 universities in the two-country Zealand-Copenhagen-Malmö-Skane region, which today count 165 000 students and 10 000 researchers, with a mandate to facilitate information sharing, research collaboration, network activities and cluster building (Oresund, 2011b). At the same time the Øresund Medicon Valley Academy (MVA) was created to co-ordinate, network and promote local research and business in the human life sciences in the region in order to improve knowledge exchange and innovation between the private and public sector and to make the region attractive to foreign stakeholders. In recent years the MVA has shifted its focus from academia towards business and today Medicon Valley is recognised as one of the most attractive bioregions in the world.

An important first step for the cross-border region's success was its branding as the Øresund Science Region (ÖSR). Oriented by a 'double triple-helix' model that involved regional authorities, businesses and universities in both countries, the Øresund University Network acts as the umbrella organisation for seven research and innovation platforms that bundled research and innovation co-operation in the sectors of health and pharma (MVA), IT, environment, food, logistics, digital entertainment and nano-technology. The University Network:

- Took over the co-ordination of 8 higher education institutions in the trans-border region and admits students to any of the Øresund Network institutions enabling them to move and take part in the many educational opportunities offered by the other institutions without physical and administrative hindrances.

Box 6.4. The Øresund region as an inter-state economic development strategy (cont.)

- Enabled researchers and teachers to share knowledge, tools and ideas with colleagues in cross-border networks; enabled technical staff and administrators to compare practices on how to address challenges in inter-university collaboration.
- Some of the Network's innovation platforms include the following:
 - *Øresund IT* is a non-profit organisation that provides knowledge and contacts among ICT actors in the Øresund Region. Its goal is to brand the ICT cluster of the region to attract more investments, talent and research, and to deliver a unique value by combining Swedish and Danish best-practices. Partners include 90 ICT companies, education and research institutes, and companies with large IT-departments that benefit from the network, as well as other members providing various services and investments to the industry.
 - *Øresund Logistics* is a Danish/Swedish non-profit network organisation developing and supporting logistics in the Øresund Region. Øresund Logistics works with the “Double-Triple Helix”-model, working cross borders for the purpose of bringing regional authorities, industries and universities together in an in-depth co-operation. It identifies initiates and co-ordinates research and development projects in the Øresund Region; facilitates network activities, seminars, workshops and conferences for the interested stakeholders; disseminates knowledge on advanced logistics and supply chain management; acts as a knowledge provider for branding the Øresund Region as a hub for efficient, innovative and environmentally sustainable logistics- and transport processes.
 - The *Øresund Materials Innovation Community (ØMIC)* is a triple helix partnership established to ensure the best possible support for research and innovation in and around the scientific facilities, and to make Northern Europe the central hub for research and innovation in hard, soft and biological materials with a focus on Grand Challenges (from clean tech, green energy and supercomputing to structural biology and pharmaceuticals). It focuses on optimising collaboration and co-ordinating activities in community development, education, early business planning, knowledge sharing in sciences parks, regional branding, bibliographical investigation, and future planning, grounded in the Øresund region but open to Northern Europe, Europe and the World.
 - *Øresund Environment* provides a regional forum for businesses, universities and local governments for networking and knowledge exchange, and facilitates and promotes new sustainable ideas and projects within energy, building processes, clean-tech, eco-mobility, green healthcare, CSR and environmental leadership education.
 - *Øresund Entrepreneurship* is a cross-border organisation that promotes entrepreneurship education in higher education and focuses on a thematic approach towards entrepreneurship at universities.

Source: Streijffert, B. (2008), “Øresund Science Region: Cross-border triple helix collaboration”, Briefing to the European Commission, Øresund University, Lund; www.oresund.org; www.mva.org.

The Øresund example mentioned above might be instructive here regarding the development and implementation of a comprehensive region-wide economic development strategy straddling (in this case national) borders, in that it brought together

the three stakeholder-groups in the “triple-helix” leadership role – universities, the private sector and governments – and focussed on identifying key business sectors and developing a targeted branding strategy for the region aimed at attracting talent and people into the region as well as maximising export market opportunities for the region’s products and services. Indeed the branding issue takes on added importance for metropolitan regions that compete against each other in a global marketplace. The Chicago Tri-State Region is no exception. Existing metropolitan-area stakeholders, including World Business Chicago, the Chicagoland Chamber of Commerce and other local chambers, the Milwaukee 7 and the Northwest Indiana Forum, could convene key private and public stakeholders to build a set of branding strategies tailored by priority business-clusters in the Tri-State Region and by foreign market. All branding tools should be harnessed to maximise these strategies: from market testing aimed at measuring development potential to focus-group testing of messages. Branding strategies should focus on outbound as well as inbound objectives: branding can be used to increase foreign-market consumption of export-ready goods and services as well as to attract FDI and talent into the Tri-State Region.

Coherent Tri-State, region-wide workforce development

Key to sustaining innovation-driven economic performance across the Tri-State Region is human capital, as chapter 3 makes clear. At issue in the region are the challenges associated with matching skills supply to demand, coupled with ensuring that businesses in the main legacy manufacturing sectors innovate to a degree that their skills needs match those of their counterparts across the country. Additionally, training service providers are not sufficiently co-ordinating curricula and training services offerings to meet business needs in the emerging innovation-driven clusters. Basic skills for both children and youth and for adults in stressed neighbourhoods across the region are also not being met effectively.

This is both a resource-allocation and a governance issue. Addressing them effectively requires the development and implementation of integrated, targeted, region-wide plans to match skills supply and demand across all levels of economic activity, enhance labour and business innovation and productivity capacity to develop, attract and retain talent and investment in the region and maximise the region’s competitive advantages in the global marketplace. This also implies that in an ever tightening fiscal environment, all efforts must be made to reduce overlap and duplication in the provision of basic and advanced education and training services across the region and pool increasingly scarce public training resources effectively by significantly enhancing intra- and inter-state co-ordination of training service delivery across the region along with planning capacity between the private sector, public funders at all levels of government and service providers to address the Tri-State Region’s workforce development interests effectively.

Facilitation – the lead-role function – could be undertaken by the sector-specific industry associations, by the chambers of commerce or by the workforce investment boards themselves. Whichever lead stakeholder(s) “sets the table” will need to invite the other key public and private actors from across the Tri-State Region to develop, implement and monitor success on an on-going basis region-wide workforce development plans tailored to meet the basic and advanced skills need of business and individuals by industry cluster in the Tri-State Region. These actors include:

- Private stakeholders, from industry associations to key large firms and start-up entrepreneurs;
- Not-for-profit actors, from workforce investment boards to community workforce interest groups to foundations;
- Key public and private education and training service providers, including universities and research institutions, community colleges and the local and state actors managing workforce development incentives;
- State departments responsible for workforce development policy and State employment agencies; and
- Federal actors in workforce development. It will be important in this respect for regional stakeholders to work together to maximise federal workforce-development funding opportunities of region-wide interest.

The MPOs (or the other lead conveners) will need to ensure that key information on the workforce development plans for the region, including their metrics of success, is shared with the stakeholders engaged in the development and implementation of region-wide economic development planning prescribed above – and vice-versa. The interdependence between economic development and workforce development planning – and region-wide data and performance indicators to measure success in the implementation of this planning, will necessitate on-going, sustained two-way information exchange between key stakeholders implicated in both exercises.

Integrated, Tri-State, region-wide, inter-modal transportation planning

Chapter 4 highlighted the dearth of vision-defined, outcomes-driven, inter-modal region-wide planning to enhance the fluidity of movement of people, goods and services into, out from and within the Tri-State Region. The reasons for this are multiple: the state line represents as much a psychological barrier as it does an administrative one to integrate the multi-modal transport plans now mandated by state legislation in all 50 states to reflect the functionality of the Tri-State Region. Petty competition for federal infrastructure funding sometimes hampers interstate collaboration to submit joint applications for Tri-State infrastructure needs. The federal Department of Transportation has not engaged in developing or implementing with its state-level interlocutors comprehensive region-wide inter-modal strategies – a missed opportunity of national significance given the importance of the logistics hub to national competitiveness – but perhaps an understandable situation given the absence of political will on the part of Tri-State area public and private stakeholders to engage in interstate, intermodal integrated planning to maximise the performance of the transportation and logistics networks in the Tri-State Region.

As discussed in Chapter 4 as well, the dearth of inter-state planning integration reflecting the functionality of the Tri-State Region has led to a piece-meal approach of current infrastructure financing. First, in the Tri-State Region as in the US more generally, transportation has historically been financed by dedicated revenue streams to single transport modes, limiting the ability of sub-national authorities to take a holistic, cross-modal approach to transportation development. Furthermore, dwindling public funds at every level put even greater constraints on regional transportation development. While the Tri-State Region is hardly the only region in the US, or among OECD Metropolitan Regions, to face this challenge,²⁷ it is nevertheless a case that should be

given special attention by the federal government, given its constitutional responsibility for interstate commerce and the region's role as a national transportation and logistics hub. Second and intimately related to the first issue, despite a handful of inter-state and cross-boundary projects, transportation development has yet to be addressed from a regional, holistic perspective. The failed KRM project mentioned near the start of the chapter offers a cautionary tale, for example, when stakeholders in multiple jurisdictions are unable to rally the necessary support.

So, to maximise the logistics hub's potential, key public and private stakeholders that need to be involved in developing, implementing and monitoring success in the implementation of integrated, intermodal, region-wide plans include, in no particular order: the region's public transit agencies; Airport authorities; Railway companies; Airlines; Trucking firms; Logistics firms; Toll authorities and operators; Local port authorities; State departments of transportation; and Federal agencies responsible for planning and regulating transportation (DoT, Maritime, Aviation, Highway and Rail agencies).

The actors in the Tri-State Region that are best-placed to convene this process are the MPOs. That said the MPOs could jointly convene a planning process with key municipal, county, private-sector and State-level actors. Whoever leads should focus on building upon local successes in inter-state planning in the Tri-State Region, as well as in other Metro-Regions in the US. For example, the Illiana Expressway²⁸ is a joint project between the states of Illinois and Indiana which would connect Interstate-55 from south of Joliet, Illinois, to Interstate-65 near Lowell, Indiana, thus offering an alternative route to the highly congested Interstate-90/Interstate-94 corridor. The goals of the project include decreased travel times and less congestion, allowing for more efficient movements of goods and people across the region. It is possible that the recent experiences of widening and rebuilding the Kingery (in Illinois) and Borman (in Indiana) expressways (I-80/94) ultimately caused officials in both states to realise the need for the Illiana Expressway and to accumulate much-needed experience in working across state lines with multiple agencies, jurisdictions, and funding sources. Collaborating on this project may give Illinois and Indiana a much-needed boost in working together on a project to serve regional interests, not parochial ones. Moving forward, it will nevertheless be important to prioritise public transit options, such as rail or bus networks, which can achieve both regional economic development and environmental objectives.

To facilitate regional co-ordination on transportation, the Tri-State Region would benefit from a long-term, cross-border regional transportation plan. Local officials understand the need to work with their counterparts in nearby municipalities, counties, and states, to maintain and improve the region's transportation infrastructure and services. These officials must build on successful instances of intergovernmental co-operation and apply lessons learned to more difficult conflicts and issues. The expertise of institutions like CMAP, NIRPC, SEWRPC and the other Metropolitan Planning Organizations responsible for regional transportation planning will be essential – all the more so, given these institutions' ability to engage in long-term planning for the range of social, economic and environmental issues that will determine the region's long-term viability and attractiveness.

Transportation investments will require greater vertical co-ordination and reforms at the state and federal level, with priority given to projects with the greatest region-wide return. Regional stakeholders, including elected officials, business leaders, and policy makers, should renew efforts to reform state grant funding allocations to ensure that the

Chicago metropolitan area, which is the economic engine, gets a commensurate share of transportation and other infrastructure funding. At the federal level, more efforts could be made to allocate scarce dollars to projects producing the greatest value, with a preference for multi-modal and multi-jurisdictional infrastructure projects (transit systems, bridges, roads, etc.). Similarly, grant programmes could contain financial incentives to local governments to collaborate and co-ordinate funding and programme requests, particularly across state borders. At the state and local level, projects should be prioritised based on expected returns and benefits at the regional level, so that the most effective and value-generating projects are undertaken.

6.3. Implementing the vision: ongoing institutional capacity and political engagement

The policy chapters have repeatedly underscored the need for data and indicators to monitor performance and measure progress in the implementation of region-wide strategies and plans. More fundamentally, evidence-based policy design and implementation requires evidence; data to define challenges and metrics of performance to understand whether the strategies are achieving the objectives they were designed to achieve. An evidence base also allows for greater transparency in decision-making and greater public accountability that allows citizens to hold stakeholders accountable for their roles and responsibilities in implementing strategic planning. Finally, data and performance metrics allows stakeholders to change course should the strategic directions not deliver the policy outcomes they were initially designed to achieve.

Building the evidence base to benefit the Tri-State Region

In the Tri-State Region, there is no shortage of individuals or institutions engaged in measuring performance in the policy areas under review. That said the capacity in the region to harness this information and present it in a rational, integrated fashion that “tells the region’s story” coherently is lacking. Therefore, the MPOs, key private-sector and not-for-profit stakeholders should consider establishing and funding a *university-based research centre* in the Tri-State Region whose mandate would be to network with existing researchers and university responsibility centres to collect relevant academic research, data and indicators with the aim to provide a sound, up-to-date evidence base for the development and implementation of policies designed to address the strategic issues facing the Tri-State Region as a whole.

This research centre could link with the local, county, State and Federal authorities responsible for the policies and programmes that affect economic development, workforce development, innovation and green-growth capacity and transportation and logistics in the Tri-State Region. Sharing key data and indicators on an on-going basis with all levels of government decision-making institutions that materially affect policy outcomes and economic performance in the Tri-State Region is of vital importance to ensuring that the policies and programming being delivered in the region truly reflect the reality on the ground in the region and can respond effectively to the challenge faced by the region.

The research centre could also maintain regular on-going relationships with key public, private and community stakeholders in the region to share information, monitor progress in the development and implementation of key region-wide strategic plans and recommend changes to these plans where changes are warranted.

Civic and political engagement

The Tri-State Region has traditionally generated significant civic leadership in the private and non-profit sectors:

- The business community in the Tri-State Region has devoted considerable effort and resources to promoting a regional approach and to developing tools, resources, and protocols to encourage more co-operation and collaboration across units of governments, agencies, and other stakeholder groups. Private-sector led institutions, such as the Milwaukee 7, Chicago’s Civic Committee, the Council on Global Affairs’ Global Midwest Institute, and the Northwest Indiana Forum, may be in a position to continue their outreach and educational efforts, emphasising the competitiveness benefits of thinking and acting in a co-ordinated fashion.
- The Commercial Club of Chicago and the Chicago Council on Global Affairs recognised the importance of thinking regionally and developing plans and goals accordingly. Indeed, building on its Metropolis Project of the late 1990s, the Commercial Club of Chicago established Chicago Metropolis 2020 to address issues of density, affordable housing, sprawl, human capital in a regional context. The approach was explicitly premised on the belief that these issues facing the counties of northern Illinois must be addressed regionally and comprehensively if Chicago was to remain a competitive, preeminent city and region. Metropolis 2020 drew on the resources of the business, civic, and non-profit communities to highlight issues of regional importance in north-eastern Illinois, including land use, transportation, and human capital. Its work, and that of its successor organisation, Metropolis Strategies, laid important groundwork for numerous policy initiatives in the areas of housing, human capital, and economic development. More generally, Chicago Metropolis 2020 (now Metropolis Strategies) was a strong advocate for the creation of CMAP in 2005, reflecting the group’s regional vision and mission.
- The Commercial Club of Chicago and its “civic arm,” the Civic Committee, comprised of leaders from the business, professional, cultural, and education sectors of the region, have helped to develop a sense of identity for the region as one integrated entity. The Civic Committee aims to make the Chicago region a world-class place to work and to live, based on a view that “the City of Chicago and its surrounding territory constitute a single and interdependent economic region”.²⁹
- The Chicago Council on Global Affairs, another local civic group, has also offered a future vision for the region, building on the expectation that globalisation implies increased opportunities but also increased challenges for Chicago (Chicago Council on Global Affairs, 2007). The Council ultimately made recommendations in several areas, including transportation and infrastructure; human capital; and global engagement. This latter category included several items intended to focus on international business and tourism opportunities, mainly through city and mayor’s office efforts. The Council’s plan also included a commitment to undertake educational outreach to business, academic, and public sector leaders as a means to deepen a sense of regional identity and mission. To that end, the Council has established the Global Midwest Initiative, a policy think-tank active in discussions on competitiveness, energy, and venture capital in the Midwest. The Initiative has run conferences and

seminars, published policy briefs and analyses, and more generally acted as a forum for discussing regional competitiveness at a global level. Local officials should build on the Initiative's educational efforts, aiming to increase awareness of the Tri-State Region as an integrated economic entity, especially among local elected and economic development officials.

The Tri-State Region could thus benefit from leveraging its considerable business and civic resources, which have historically articulated the need to increase the region's competitiveness through a region-wide approach. Indeed the top 100 private foundations alone in the Tri-State Region control USD 17 billion in assets and USD 1 billion in giving annually. Business and civic organisations should therefore be further encouraged to continue outreach efforts in educating area policymakers in matters of cross-jurisdictional, regional importance and in advocating policies whose aim should be to make the *Tri-State Region* more liveable, more competitive, and more successful – thereby building a sense of Tri-State Regional identity which should then be integrated into the advanced branding strategies recommended in the economic development section.

Civic engagement can take many forms, but it is essential if the region's residents and key institutional stakeholders are to be in a position to evaluate the challenges they face and judge the merits of the strategies designed to address them. The following suggestions for harnessing civic and political engagement could be considered as integral components in the design and implementation of strategic planning for maximising the economic performance of the Tri-State Region:

- On-going *community outreach* could be directed at neighbourhood organisations, organised labour, philanthropic and not-for-profit institutions and business groups to solicit input to the planning process and participation in monitoring (and measuring) progress in implementing these plans;
- Consideration could be given to expanding the organisations of *mayors and county executives* to encompass all members from the Tri-State Region and ensure that they meet regularly to discuss Tri-State level regional issues and the strategies required to address them;³⁰
- Regional stakeholders could recommend that the three *state governors* meet regularly - perhaps annually by themselves but at other times with their state secretaries of commerce, transportation and workforce development as well – to focus on Tri-State Region-wide issues and develop and implement integrated cross-boundary strategies to address them;
- At the same time, *state legislators representing districts from across the Tri-State Region* could meet regularly to focus on Tri-State Region-wide issues;
- The region's stakeholders could ask that a *US congressional caucus* of elected officials representing all parts of the Tri-State Region be established to focus regularly on Tri-State Region-wide issues;

Leading by example is key to demonstrating the relevance of the Tri-State Region as a region to state and federal authorities. In transportation especially, but in economic development more broadly, the lack of collaboration between the three state administrations and the lack of attention paid by the US government to the need for high-level strategic planning that recognises the Tri-State Region as a functional, integrated economic engine of the country's national and international economic performance could

evolve into more active engagement once the region's stakeholders demonstrate the economic importance of the region by achieving success in implementing truly integrated region-wide plans to address region-wide challenges. The potential impact on state and federal decision-makers of bottom-up leadership in the Chicago Tri-State Region should not be under-estimated. As Chicago's great city planner Daniel Burnham said, "Make no little plans".

Notes

1. Cook County, for instance, is comprised of 121 cities, 30 townships, 244 special purpose governments, and 152 school districts, for a total of 547 local governments, which is higher than the State average of 67 local governments per county (Office of the Comptroller, 2000).
2. According to several studies, including the 2007 Census of Governments (US Bureau of the Census, 2007), and the *GoTo 2040* plan prepared by the Chicago Metropolitan Agency for Planning (CMAP, 2009)
3. An even larger definition of the Toronto Metropolitan Region, known as the Greater Golden Horseshoe Area, which presents a connected area of industrial activity, is comprised of 110 municipal governments.
4. For more information see http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_NSRD_GCTPL2.US24PR&prodType=table.
5. The township form of government is a lower tier of local government. In Illinois, townships are generally responsible for the administration of public assistance, property assessments and maintenance of township roads and bridges; in Indiana, townships administer public assistance programs, assess taxable property, provide funding for fire and emergency protection, and, in unincorporated parts of the county, can provide a range of other public services (e.g. snow removal, senior programs) (Office of the State of Illinois Comptroller, www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/TWHistory.html; Indiana General Assembly, www.in.gov/legislative/ic/code/title36/).
6. Notably, the Governor of Indiana was quoted as saying, "Whether it's bringing dollars back from overseas or from right next door, finding new investments and jobs is always job one for us" (Indiana Economic Development Corporation, 2011).
7. A *Chicago Tribune* article (Wernau (2011)) echoes these points, reporting on several recent instances of firms moving operations out of Illinois and into Indiana. The article quotes an Illinois economic development official as arguing that Midwestern states need to work together more, not less, to make the region attractive to international visitors and businesses, saying "An approach that focuses solely on picking off a neighbouring state's business is short-sighted; it's a losing strategy for our region."
8. The local regional planning organisation, SEWRPC (Southeastern Wisconsin Regional Planning Commission), emphasised KRM's likely positive impact on jobs and economic development, noting that nearly 1 million jobs lie within one mile of the proposed KRM and Metra lines). "The KRM project will link workers and jobs into a unified economic chain along the shore of Lake Michigan, as well as opening the growing employment centres in north-eastern Illinois to a greater number of Wisconsin workers", (p. 1-16, Southeastern Regional Transportation Authority, 2010,).

9. Munro, et al derives this from: Jed Kolko, “Business Relocation and Homegrown Jobs,” (Sacramento: Public Policy Institute of California, September 2010), (http://www.ppic.org/content/pubs/report/R_910JKR.pdf).
10. State of Illinois, Office of the Auditor General, 2011
11. The Pew study notes, furthermore, that unfunded pension liabilities have been a problem faced by the Illinois legislature since 1995.
12. Illinois’ total corporate rate includes a 2.5% personal property replacement tax rate, so that the full rate rose from 7.3% (4.8% + 2.5%) to 9.5% (7.0% + 2.5%) with this legislation.
13. The Commercial Club’s recommendations included the creation of defined contribution plans; raising retirement ages; reducing benefit accrual rates; limiting cost-of-living adjustments (COLA’s); calculating pension benefits on base salary only up to the Social Security Covered Wage Base (currently USD 106,800); ending pension “abuses” such as double-dipping; and increasing annual contributions to the funds.
14. See the New York Times article dated 23 June 2011, “The Indiana Exception? Yes, but...”, www.nytimes.com/2011/06/23/us/23indiana.html?pagewanted=all.
15. See the New York Times article dated 23 March 2011, “States Pass Budget Pain to Cities,” www.nytimes.com/2011/03/24/us/24cities.html?_r=1, and the Wisconsin State 2011-2013 budget, www.doa.state.wi.us/debf/pdf_files/bib1113.pdf.
16. Chicago Booth (University of Chicago); Kellogg School of Management (Northwestern University); DePaul University; Loyola University of Chicago; and University of Illinois
17. The combined rate for the City of Chicago was 10.25% in 2010. Cook County has reduced the tax rate in two increments, by .5 percentage points and by .25 percentage points and is expected to reduce it by an additional .25 percentage points by 2013.
18. For example, Channahon, Illinois, in Grundy County, is outside of the RTA jurisdiction and has a combined sales tax rate of 7.25% (A 6.25% state collected sales tax rate which is the sum of: 5.0% to state; 1.0% to municipality; 0.25% to county; and an additional 1% municipal home rule sales tax imposed separately by Channahon), significantly lower than the city of Chicago’s current 9.5%. In fact, the city of Chicago and the RTA have begun taking steps to recover some of their foregone revenue, and it seems likely that resolving the dispute will require some reform or clarification of state sales tax revenue allocation rules.
19. The City of Chicago and Cook County should be encouraged to continue their efforts, and cities, towns, and villages throughout the region should pursue similar opportunities where feasible (see Metropolitan Mayors Caucus, 2009). These recommendations have also been echoed by Northwestern Indiana’s NIRPC 2040 Comprehensive Regional Plan, as well as by Indiana’s Commission on Local Government Reform (2007).
20. The Metropolitan Mayors Caucus, which includes the mayors of Chicago and 272 surrounding municipalities, is known for taking a regional approach to economic development, municipal finances, transportation funding, and other related, border-hopping issues. It advocates for state and federal policies to better support municipalities in the region, such as more funding for transit and transportation; removing barriers to inter-jurisdictional consolidation of services; and public pension

reform. It has also developed into an institution that serves to overcome historical city-suburb tensions in a region characterised by highly fragmented government (Lindstrom, 2010).

21. The other eight issues are directly addressed by the GLRC's Strategy.
22. The governments of Quebec and Ontario are included as signatories to the Compact's companion document, the Great Lakes—St. Lawrence River Basin Sustainable Water Resources Agreement, signed in December 2005 (Council of Great Lakes Governors, 2011).
23. See www.metrodenver.org/industries-compani.
24. Public Policy Forum (2011) "Assembling the Parts"
25. The University of Wisconsin at Milwaukee has a School of Freshwater Sciences, which houses the Great Lakes Water Institute, a research facility devoted to increasing knowledge about the Great Lakes and other freshwater resources.
26. See www.metrodenver.org/about-metro-denver-edc.
27. See Transportation Research Board, 2009. Furthermore, outside the US, the Paris-IDF region, for instance, has faced difficulties in generating new funding sources to support the development of a new high-speed metro in the region's suburbs, and has yet to secure the necessary funds (OECD, forthcoming Paris GG case study).
28. The two states signed an agreement in 2010 to build the highway. On August 25, 2011, the Illinois Tollway Board approved a USD 12 billion capital plan that includes funding for needed studies for the Illiana Expressway project.
29. See www.civiccommittee.org/purpose/index.html.
30. An initial step may be to invite at least the most geographically proximate mayors in Wisconsin and Indiana to join the Metropolitan Mayors Caucus without specifically adopting a formal Tri-State agenda.

Bibliography

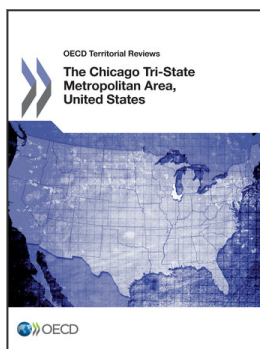
- American Society of Civil Engineers (2010), “Report Card for America’s Infrastructure,” <http://www.infrastructurereportcard.org/state-and-local-report-cards>.
- Bergen, Kathy; Ameet Sachdev and Alejandra Cancino, “Sales tax loophole leaves some cities, towns crying foul as firms exploit Illinois law”, *Chicago Tribune*, August 21, 2011.
- Berry, Christopher (2008), “Piling On: Multilevel Government and the Fiscal Common-Pool,” *American Journal of Political Science*, Vol. 52, No. 4, October; pp. 802-820.
- Brookings Institution Metropolitan Policy Program (2010), “Global Metro Monitor: The Path to Economic Recovery,” December, http://www.brookings.edu/reports/2010/1130_global_metro_monitor.aspx.
- Bullington, Jonathan (2011a), “Trustees want state Attorney General’s opinion on doing away with Evanston Township,” *Chicago Tribune local*, September 27, 2011; <http://triblocal.com/evanston/2011/09/27/trustees-want-state-attorney-generals-opinion-on-doing-away-with-evanston-township/>.
- Bullington, Jonathan (2011b), “Referendum may ask residents if they want to dissolve Evanston Township,” *Chicago Tribune local*, October 25, 2011; <http://triblocal.com/evanston/2011/10/25/referendum-may-ask-residents-if-they-want-to-dissolve-evanston-township/>.
- Chicago Council on Global Affairs (2007), “The Global Edge: An Agenda for Chicago’s Future,” http://www.thechicagocouncil.org/Files/Studies_Publications/TaskForcesandStudies/ChicagoGlobalFuture2007.aspx.
- Chicago Metropolitan Agency for Planning (2009), “GoTo 2040 Comprehensive Regional Plan”, <http://www.cmap.illinois.gov/2040/main>.
- Chicago Metropolitan Agency for Planning, and Regional Transportation Authority; (2009); “Advancing Livability Principles: Federal Investment Reform Lessons from the Chicagoland Experience,” Fall 2009.
- Chicago Metropolitan Agency for Planning (2010a), “Water 2050: Northeastern Illinois Regional Water Supply/Demand Plan,” March 2010; <http://www.cmap.illinois.gov/regional-water-supply-planning>.
- Chicago Metropolitan Agency for Planning (2010b), “Northeastern Illinois Regional Greenways and Trails Plan: 2009 Update,” February 2010; <http://www.cmap.illinois.gov/bike-ped/greenways-and-trails>.

- Citizens Research Council (1999), “A Bird’s Eye View of Michigan Local Government At the End of the Twentieth Century,” August, Report No. 326; <http://www.crcmich.org/PUBLICAT/1990s/1999/rpt326.pdf>.
- Citizens Research Council (2008), “Approaches to Consolidating Local Public Services,” Report 354, November, <http://www.crcmich.org/PUBLICAT/2000s/2008/rpt354.html>.
- City of Chicago (2010), “Chicago Recovery Partnership, Final Report”, November, <http://www.ccachicago.org/sites/default/files/Recovery%20Partnership%20Final%20Report.pdf>.
- City of Chicago (2011), “Annual Financial Analysis 2011”.
- City of Chicago and Cook County (2011), “Joint Committee on City-County Collaboration,” June 2011; <http://www.ccachicago.org/sites/default/files/City%20County%20Collaboration%20June%202011.pdf>.
- Civic Federation (2003), “A Call For the Elimination of the Suburban Cook County Tuberculosis Sanitarium District,” November 17, 2003; <http://www.civicfed.org/civic-federation/publications/call-elimination-suburban-cook-county-tuberculosis-sanitarium-district>.
- Civic Federation (2008), “A Call For the Dissolution and Restructuring of the Illinois International Port District,” June 30, 2008; <http://www.civicfed.org/civic-federation/publications/call-dissolution-and-restructuring-illinois-international-port-district>.
- Civic Federation (2010), “Selected Consumer Taxes in the City of Chicago,” December, <http://www.civicfed.org/civic-federation/publications/selected-consumer-taxes-city-chicago-december-2010>.
- Dadayan, Lucy (2011), “State Revenue Report,” Rockefeller Institute for Fiscal Studies, July, No. 84; http://www.rockinst.org/pdf/government_finance/state_revenue_report/2011-07-14-SRR_84.pdf.
- Hamilton, David K. (2008), “Township Government: Essential or Expendable? The Case of Illinois and Cook County,” Working paper, Roosevelt University, April 14, 2008.
- Hodge, Scott, (2011), “Illinois Corporate Tax Hike Inches US Closer to #1 Ranking Globally”, Fiscal Fact No. 257, Tax Foundation, January 14, 2011; <http://www.taxfoundation.org/research/show/26974.html>
- Indiana Commission on Local Government Reform (2007), “Streamlining Local Government,” December 11, 2007.
- Indiana Economic Development Corporation (2011), Press release, "CN to relocate portion of operations to Gary," August 3, 2011, http://www.in.gov/portal/news_events/72082.htm.
- Johnson, Elmer (1999), “Chicago Metropolis 2020: Preparing Metropolitan Chicago for the 21st Century.”

- Katz, Bruce; Jennifer Bradley; and Amy Liu (2010), “Delivering the Next Economy: The States Step Up,” Brookings Institution, November 2010.
- Ketzenberger, John; (2011); “Indiana Budget Update: Reason for Optimism”, Indiana Fiscal Policy Institute, April 14, 2011; <http://www.indianafiscal.org/pdf/Indiana-Budget-Update-April-2011.pdf>.
- Klaft, Holly, (2010), “Towns look at merging services as trend of consolidating municipalities becomes more popular,” May 22, 2010; http://www.mlive.com/news/jackson/index.ssf/2010/05/towns_look_at_merging_services.html.
- Lindstrom, Bonnie, (2010), “The Metropolitan Mayors Caucus: Institution Building in a Political Fragmented Metropolitan Region,” *Urban Affairs Review*: 2010(46): 37-67.
- McNichol, Elizabeth; Phil Oliff; and Nicholas Johnson (2011), “States Continue to Feel Recession’s Impact”, Center on Budget and Policy Priorities, June 17, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.
- Metropolitan Mayors Caucus (2009), “Service Delivery Task Force First Report,” December 14, 2009.
- Metropolitan Planning Council (2011), “Plan for Prosperity: 2011 Policy Objectives,” 2011.
- Metropolitan Planning Council, in collaboration with the Center for Neighborhood Technology,
- Michigan Township Association (1999), “Response to ‘A Bird's Eye View of Michigan Local Government At the End of the Twentieth Century.’”
- Michigan Township Association, “The Higher Costs of Rationing Local Government: The Case Against State-Imposed Consolidations,” undated, <http://www.michigantownships.org/downloads/coxpaperforweb.pdf>.
- Munro, Mark and Kenan Fikri, “Job Creation on a Budget: How Regional Industry Clusters Can Add Jobs, Bolster Entrepreneurship, and Spark Innovation, January 2011, http://www.brookings.edu/~media/Files/rc/papers/2011/0119_clusters_muro/0119_clusters_muro.pdf.
- National Conference of State Legislatures (2010), *State Budget Update: July 2010 (Preliminary Report)*, Denver, CO/Washington, DC, www.ncsl.org/default.aspx?TabId=20890.
- New York Times article dated 23 March 2011, “States Pass Budget Pain to Cities,” www.nytimes.com/2011/03/24/us/24cities.html?_r=1.
- New York Times article dated 23 June 2011, “The Indiana Exception? Yes, but...”, www.nytimes.com/2011/06/23/us/23indiana.html?pagewanted=all.
- New York Times article dated 2 May 2011, “US Business Has High Tax Rates but Pays Less”, www.nytimes.com/2011/05/03/business/economy/03rates.html.

- New York State Commission on Local Government Efficiency and Competitiveness, (2008) “21st Century Local Government,” April 2008, http://www.nyslocalgov.org/report_page.asp.
- Northwest Indiana Regional Planning Commission (2011), “Comprehensive Regional Plan for Northwest Indiana 2040”, <http://www.nirpc.org/2040CRP/Draft/DraftPlan.html>.
- Northwest Indiana Times* Editorial (2011), “Illinoyed? Bring your business to NWT”, February 18, 2011; http://www.nwitimes.com/news/opinion/editorial/article_8d7f555d-7e81-564c-ab83-cf96313af330.html.
- Novy-Marx, Robert, and Joshua D. Rauh, (2010), “The Crisis in Local Government Pensions in the United States,” Kellogg Graduate School of Management, Northwestern University, working paper, October 2010; http://kelloggfinance.files.wordpress.com/2010/07/nmr_posps_20100718.pdf.
- Novy-Marx, Robert, and Joshua D. Rauh, (2011a), “Public Pension Promises: How Big Are They and What Are They Worth,” *Journal of Finance*, Vol. 66, No. 4.
- Novy-Marx, Robert, and Joshua D. Rauh, (2011b), “The Revenue Demands of Public Employee Pension Promises,” Working paper, June 2011.
- Office of the State of Illinois Comptroller, www.comptrollerconnect.ioc.state.il.us/Office/LocalGovt/TWHistory.html.
- Office of the Comptroller (2000), “Local government in Illinois”, www.ioc.state.il.us/index.cfm/linkservid/515B3EE2-9A7F-4EE1-99AAC689E1775951/showMeta/0.
- Pew Center (2009), *Beyond California: States in Fiscal Peril*, <http://downloads.pewcenteronthestates.org/BeyondCalifornia.pdf>.
- Pew Center on the States (2010), *The Trillion Dollar Gap*, February 18, 2010, http://www.pewcenteronthestates.org/report_detail.aspx?id=56695.
- Public letter of support from the Rita Athas, Executive Director, WBC, dated 30 April 2009. www.worldbusinesschicago.com/news/wbc-supports-chicagos-bid-2016-olympics.
- Robyn, Mark, and Gerald Prante (2011), “State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income,” Tax Foundation Special Report, February 2011, No. 189; <http://www.taxfoundation.org/research/show/22320.html>.
- Sandler, Larry, (2011), “WI: It's Official: Rail Line From Kenosha to Milwaukee is Dead,” *The Milwaukee Sentinel*, July 26, 2011; <http://www.masstransitmag.com/news/10307532/wi-its-official-rail-line-from-kenosha-to-milwaukee-is-dead>.
- Southeastern Regional Transportation Authority (2010), “Request to Initiate Preliminary Engineering,” <http://maps.sewrpc.org/KRMonline/pdf/152212v1-SERTA-FullFinalNewStartsApplication-06-24-10.pdf>.

- State of Illinois, Office of the Auditor General (2011), “Statewide Financial Statement Audit Report For the Year Ended: June 30, 2010,” released July 21, 2011; [http://www.auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/Comptroller/Comp-Int-Cont-Compliance/FY10-Comptroller-Stwd-Fin-Stmt-\(CAFR\)-Fin-Digest.pdf](http://www.auditor.illinois.gov/Audit-Reports/Compliance-Agency-List/Comptroller/Comp-Int-Cont-Compliance/FY10-Comptroller-Stwd-Fin-Stmt-(CAFR)-Fin-Digest.pdf).
- State of Michigan (2011), “Michigan Shared Public Services Initiative,” <http://www.mi.gov/sharedpublicservices>.
- Strejffert, B. (2008), “Øresund Science Region: Cross-border triple helix collaboration”, Briefing to the European Commission, Øresund University, Lund.
- Tax Foundation (2011), “State Business Tax Climate Index, FY 2011”; <http://www.taxfoundation.org/taxdata/show/25229.html>.
- Tiebout, Charles (1956), “A Theory of Local Public Expenditures,” *Journal of Political Economy*, 1956.
- United States Bureau of the Census. (2009a). “MSAs and Components”, December. Available: <http://www.census.gov/population/www/metroareas/lists/2009/List4.txt>, last accessed August 26, 2011.
- United States Bureau of the Census. (2009b), “CSAs and Component Core Based Statistical Areas”, December. Available: <http://www.census.gov/population/www/metroareas/lists/2009/List6.txt>, accessed August 26, 2011.
- United States Bureau of the Census (2007), *Census of Governments*, “Local Governments and Public School Systems by Type and State, 2007”. <http://www.census.gov/govs/cog/GovOrgTab03ss.html>, Accessed September 30, 2011.
- Wernau, Julie (2011), “Job creation front and center for politicians,” *Chicago Tribune*, August 24, 2011.
- Wisconsin State 2011-2013 budget, www.doa.state.wi.us/debf/pdf_files/bib1113.pdf.



From:
**OECD Territorial Reviews: The Chicago Tri-State
Metropolitan Area, United States 2012**

Access the complete publication at:
<https://doi.org/10.1787/9789264170315-en>

Please cite this chapter as:

OECD (2012), "Effective institutional arrangements in the tri-state region", in *OECD Territorial Reviews: The Chicago Tri-State Metropolitan Area, United States 2012*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264170315-9-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.