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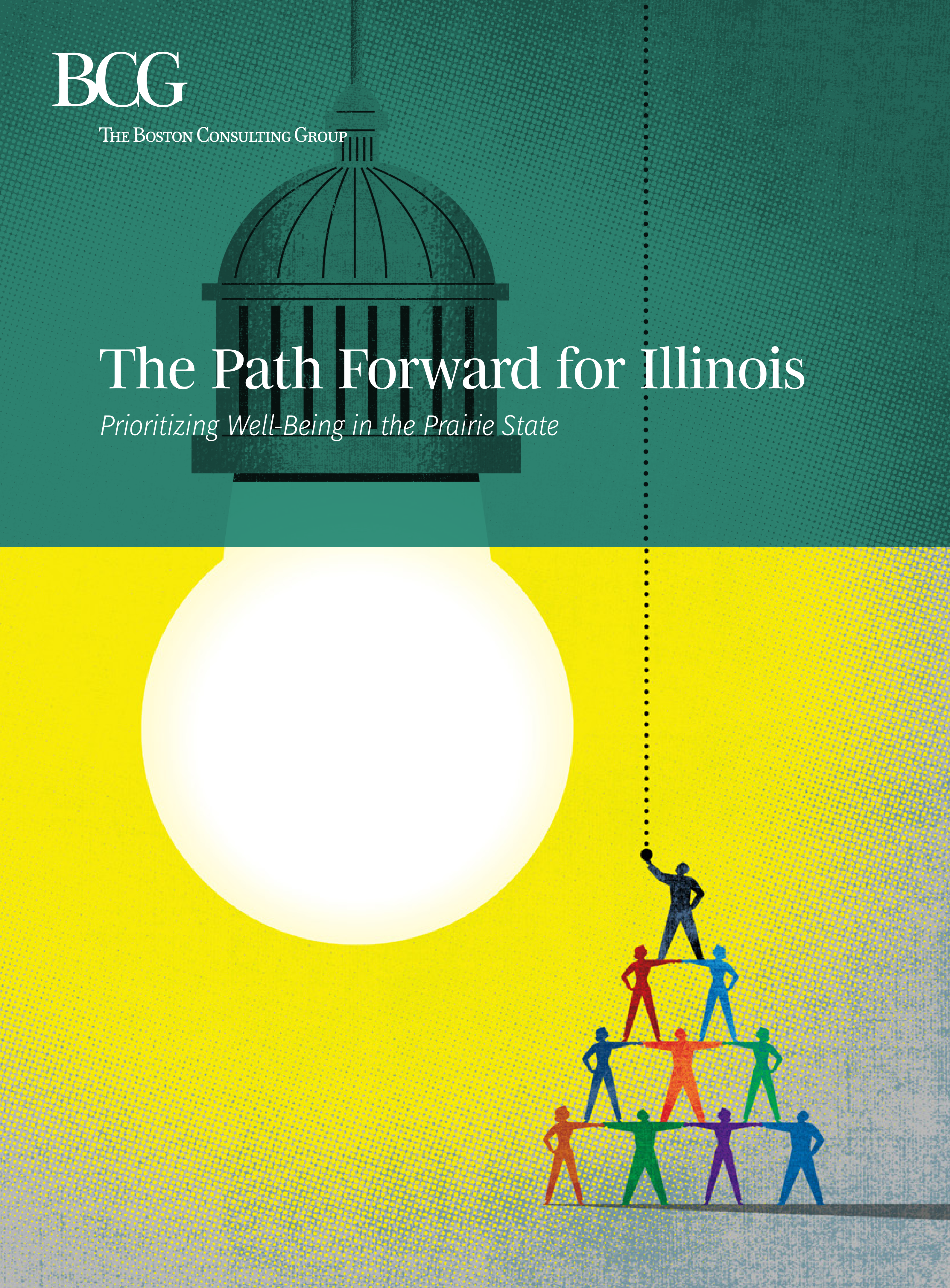
The Path Forward for Illinois

Prioritizing Well-Being in the Prairie State



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AT A GLANCE

Illinois faces significant challenges. Analysis using BCG's Sustainable Economic Development Assessment (SEDA), a benchmark of well-being, shows that the state ranks 34th overall and 11th among the 15 most populous states. SEDA encompasses four key elements: economics, investments (in health, education, and infrastructure), sustainability, and equality.

The State of Illinois

Illinois ranks 44th in economics despite its significant wealth. Its ranking of 38 in sustainability is the result of factors such as violent crime, low voter turnout, and poor air quality. The state's ranking of 17 in investments is a bright spot, reflecting Illinois' relative success in funding early and higher education and in providing health insurance. Yet these outcomes are not distributed evenly across the population. Racial and income inequality is pervasive; Illinois ranks 39th in equality.

Illinois' Path Forward

There is cause for optimism about the state's prospects, given its tremendous assets and the successes achieved by peer states. What Illinois needs most is a clear vision, a strategy, and the will to make the difficult choices required to lay the groundwork for a better future.

Since it opened in 1979, BCG Chicago has partnered with local organizations in the public, private, and nonprofit sectors to advance public priorities. This publication marks the launch of the Center for Illinois' Future (CIF), an organization formed under the auspices of BCG's Social Impact practice. CIF's purpose is to heighten the impact of our work and maximize its benefit for everyone invested in Illinois' future—residents, leaders, advocates, and institutions. (To learn more about the center, please visit centerforillinoisfuture.bcg.com.)

To illuminate the state's key strengths and challenges, spotlight opportunities, and highlight the strategic choices that Illinois must make for the future, we compared it with the nation's 49 other states using BCG's Sustainable Economic Development Assessment (SEDA). We focused particularly on the standing of Illinois within a relevant peer group of the 15 most populous states. (See the sidebar "About the SEDA Framework.")

Our analysis shows that Illinois ranks 34th overall in well-being—11th among the most populous states—and well below many of its peers in key measures. We see this as a call to arms for the government, business leaders, and residents of Illinois. We want more for Illinois, and we are committed to changing its present trajectory.

National Results: The High-Level View

Massachusetts leads the 50 states in well-being. The top five performers are rounded out by New Hampshire, Utah, Vermont, and Minnesota. Among the most populous states, Washington is second to Massachusetts; Virginia, New Jersey, and California follow as the only others among the 15 most populous states to finish in the top half overall. States with large populations struggle to translate wealth into well-being. (See Exhibit 1.) (For more on how Massachusetts and Washington achieved their rankings, see the sidebar "Overcoming the Numbers: How Two States in the Most Populous List Come Out on Top.")

Illinois ranks 34th overall in well-being—11th among the most populous states—and well below many of its peers in key measures.

Meanwhile, lagging performances in well-being come primarily from the southern states: 9 of the bottom 15 states nationwide are located in the Southeast, with Louisiana ranking last. Illinois finishes 34th overall. Among the most populous states, a more natural peer group, Illinois ranks 11th, beating only Georgia, Florida, Michigan, and Arizona.

Two trends emerged from the national results. First, a state's strong performance in economics often comes at the expense of success in sustainability, which includes the dimensions of civic engagement, governance, and environment. Three of the

ABOUT THE SEDA FRAMEWORK

In 2012, BCG developed its Sustainable Economic Development Assessment (SEDA), a diagnostic tool that systematically assesses a country's level of well-being across multiple dimensions, such as income, infrastructure, governance, and education. Since its inception, the SEDA framework has been used to compare various countries and conduct more in-depth analyses. For example, BCG has looked at how Nigeria can unlock its economic potential, how Vietnam can maintain its strong recent progress, and how private sectors in countries around the world make crucial contributions to well-being.

A Comprehensive Measure of National Well-Being. SEDA's purpose is not simply to spotlight the wealthiest, the healthiest, or the best-governed countries. It is also to offer insights into a country's overall social and economic conditions and to quantitatively determine its progress in ensuring—in the most holistic sense—the well-being of its residents.

The original SEDA framework defines overall well-being by examining three fundamental elements: economics, investments, and sustainability. ("Sustainability" in the SEDA context encompasses not only environmental measures but also those that are more comprehensive and indicative of long-term success, such as governance and civic engagement.) Underlying these three elements are ten dimensions of socioeconomic development, each of which has its own component indicators and metrics. The framework enables comparison; more important, it can be used to better inform and shape national strategies and priorities.

A Tool Equally Applicable to States. In the United States' federal system, the states have significant latitude to govern as they see fit. As Supreme Court Justice Louis Brandeis put it, "It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country."[1] And indeed, the states routinely serve as laboratories on matters as wide-ranging as criminal justice, tax policy, and education reform. The states' governing and legislative choices lead to wide variance in outcomes for US citizens across and often even within states. It is precisely this variance we wanted to assess in applying the SEDA framework to the 50 states.

We adapted and modified the original SEDA framework for our use at the state level by choosing dimensions and metrics appropriate to the US context. (See the exhibit.) The major change was adding a fourth element: equality. A right embedded in the US Declaration of Independence, equality is a defining value and foremost aspiration in the US. Yet it remains elusive. Today, outcomes in everything—including income, education, and health—vary significantly on the basis of race, gender, and socioeconomic status. Likewise, our equality results vary considerably among states. We believe those differences matter and contribute significantly to levels of well-being. Introducing equality as a separate element in the framework enabled us to take a deeper look at one of the key promises of the US.

The US state-level framework thus measures well-being along 12 dimensions. The result is a diagnostic and benchmarking tool that provides a big-picture comparison of all 50 states and yields insights into which governments as well as residents can set priorities—and act.

NOTE
1. New State Ice Co. v. Liebmann, 1932.

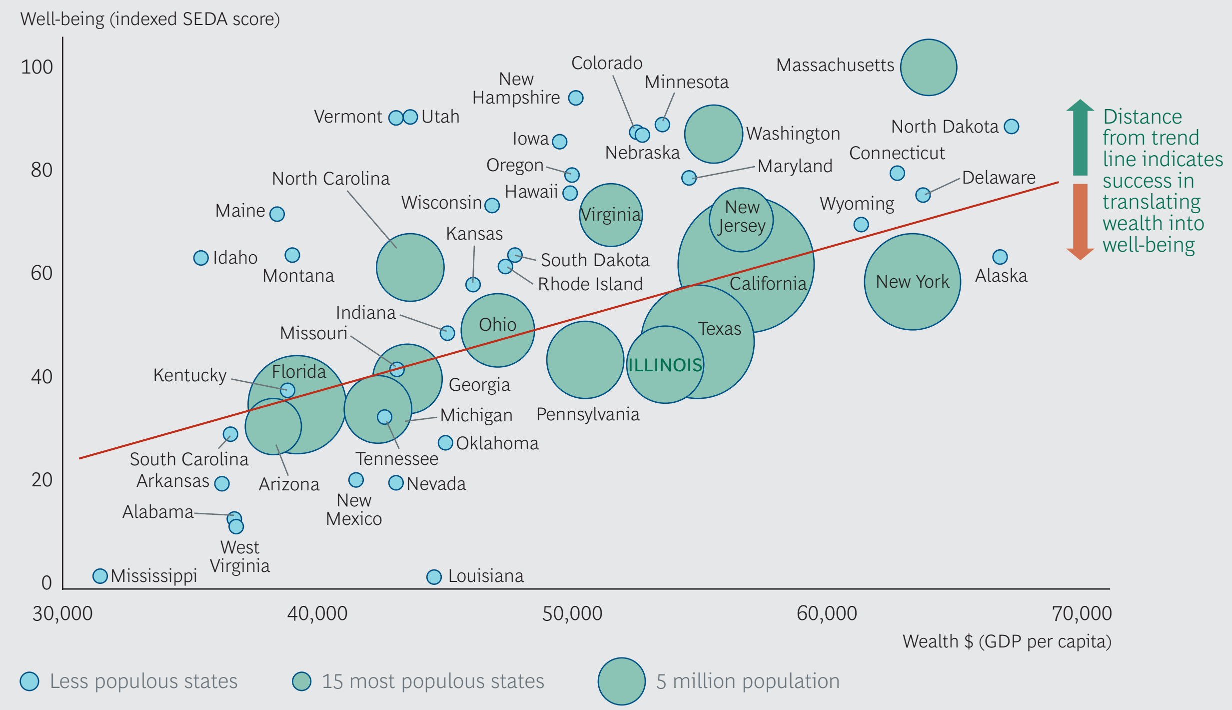
Driving Well-Being at the State Level

THE US STATE-LEVEL SEDA FRAMEWORK

ELEMENTS	DIMENSIONS	DESCRIPTION
Economics	Fundamentals	• Wealth, poverty, employment, and cost of living
	Demographics	• Age balance, future workforce, and migration
	Outlook	• Growth and fiscal management
Investments	Health	• Health care access and outcomes
	Education	• Education funding, access, and outcomes
	Infrastructure	• Physical and digital infrastructure
Sustainability	Civic engagement	• Voting and charitable contributions
	Governance	• Corruption and public safety
	Environment	• Air and water quality, pollution, and renewable energy
Equality	Income	• Wealth and poverty gaps across demographic groups
	Health	• Life expectancy gaps across demographic groups
	Education	• High school and college attainment gaps across demographic groups

Source: BCG analysis.
Note: SEDA = Sustainable Economic Development Assessment.

EXHIBIT 1 | States' Success Translating Wealth into Well-Being Varies Widely



Source: BCG analysis.
Note: SEDA = Sustainable Economic Development Assessment.

top five economics performers (Texas at number two, Delaware at number three, and Wyoming at number five) rank in the bottom third in the sustainability element. The only top-five economics performer to buck this trend is Utah, which combines fourth-overall economics performance with low crime and a commitment to civic engagement. The latter is evidenced by the highest levels of philanthropy and volunteering in the country.

The second trend is that the most populous states tend to struggle on the equality element, as measured by racial, gender, and socioeconomic gaps in income, health, and education outcomes. Of the 15 most populous states, 7 finish very low in equality (North Carolina is 37th, Illinois is 39th, New York is 40th, Pennsylvania is 41st, Georgia is 44th, Ohio is 45th, and Michigan is 47th). Such performance is in part a function of the fact that heavily populated states tend to have large, diverse populations with varying needs and challenges.

But there are some notable exceptions: California, the most highly populated state, finishes 20th overall in equality. Washington is 13th in population and 7th in equality, and Arizona is 14th in population and 13th in equality.

The State of Illinois

The problems facing Illinois are myriad and generally well-known: gridlock in state government, escalating violence in its biggest city, and a backlog of unpaid bills that

OVERCOMING THE NUMBERS

How Two States in the Most Populous List Come Out on Top

Two-thirds of the 15 most populous states finish in the bottom half of the national SEDA rankings. Massachusetts, which is first overall, and Washington, which is eighth overall, are both notable exceptions. Massachusetts's lead in the SEDA rankings is particularly noteworthy. With its vastly diverse population of nearly 7 million, Massachusetts faces challenges that smaller, more homogeneous states do not.

In health care, Massachusetts leads the nation in primary-care access and boasts the lowest percentage of uninsured residents (4%). The overall good health of its residents is evident: the state has the lowest infant mortality rate in the country, the third-lowest obesity rate, and the fifth-highest overall life expectancy.

Massachusetts is also reaping the benefits of a sustained, targeted effort to improve its education system over the past two decades. After passing the 1993 Education Reform Act, Massachusetts revamped its public school curriculum, designed statewide assessments, and improved funding equity. Today, the state's education system is a top performer: among the 50 states, it has the third-highest preschool enrollment rate and the highest scores on the National Assessment of Educational Progress reading and math tests. More than half of all those aged 25 to 34 in Massachusetts have a college degree, the highest proportion in the nation. (The next highest-ranking state, New York, trails Massachusetts by 7 percentage points.)

Massachusetts ranks 11th overall in economics, despite the relatively low level of funding for its pension liabilities, its older population (a smaller percentage of people under age 30 and a higher old-age dependency ratio), and a net migration rate that is among the lowest in the nation. It receives a boost from its strong GDP per capita (the third highest in the nation), low poverty (the third lowest among the most populous states), and solid employment (the sixth lowest unemployment rate in the country).

At eighth overall, Washington, with a population of more than 7 million, performs well across all the elements. Washington's economic fundamentals are solid, as evidenced by its GDP per capita (tenth in the nation) and GDP growth (seventh nationwide), along with its growing tax base, thanks to a net migration rate of more than 7%.

Washington has also worked to enable the building blocks of a strong society. It ranks fourth in sustainability among all the states and first among the most populous states. More than 75% of Washington's electric power comes from renewable sources, making it the third-highest user of renewable electric power in the country. California, the only other highly populated state among the top ten users of renewable energy, gets just 30% of its electric power from renewables.

continues to grow. It is perhaps little surprise that the state ranks 34th overall in the SEDA analysis; a look at specific elements shows it is 44th in economics, 38th in sustainability, and 39th in equality. (See Exhibit 2.)

Investments are Illinois' bright spot. There is a bright spot for Illinois: it ranks 17th in investments, which encompasses the health, education, and infrastructure dimensions. In health investments, Illinois ranks 16th—a reflection of the significant actions it has taken in this area. In addition to expanding Medicaid eligibility under the Affordable Care Act, Illinois is also generous in its provision of health insurance for children. In Illinois, the Children's Health Insurance Program, which is funded jointly by the state and federal governments, provides health insurance to children whose family income is as much as 318% of the federal poverty level—a percentage that is well above the national median of 255%. Similarly, the state extends Medicaid coverage to pregnant women with income up to 213% of the federal poverty level, a percentage that is also above the national median. These and a handful of other key decisions have reduced the number of uninsured individuals to 6% of the population—the eighth lowest percentage in the nation.

Despite Illinois' top quintile ranking in health insurance provision and its strong overall position in health care access, it is in the middle of the pack in health outcomes. It is 23rd in both obesity and infant mortality rates, and it is 24th in life expectancy.

Exhibit 2 | Illinois' Companions in the Four Dimensions

ECONOMICS	
Arizona	42
Louisiana	43
Illinois	**44**
Alabama	45
Kentucky	46

INVESTMENTS	
Rhode Island	15
Wisconsin	16
Illinois	**17**
Oregon	18
Delaware	19

SUSTAINABILITY	
Michigan	36
Delaware	37
Illinois	**38**
Wyoming	39
Missouri	40

EQUALITY	
North Carolina	37
Tennessee	38
Illinois	**39**
New York	40
Pennsylvania	41

Source: BCG analysis.

Illinois' ranking in education investments is even higher than it is in health investments: the state places 9th for the former, compared with 16th for the latter. The state's longstanding commitment to educating its youngest residents is reflected in its fifth-place ranking in preschool enrollment, notwithstanding the funding cuts of recent years. At the other end of the education spectrum, the state ranks eighth overall in college attainment: 40% of those aged 25 to 34 in Illinois hold a college degree. These solid education bookends help to offset Illinois' middling performance in elementary education. The state falls in the bottom half of all 50 states for its scores on the National Assessment of Educational Progress tests, and its funding gaps between high- and low-income districts are among the widest in the country.

Gaps in poverty and college attainment by race place Illinois in the bottom third of states.

Illinois' health and education investments clearly reflect a solid commitment to supporting the well-being of its residents. Although significant investments such as these generally provide a foundation for a strong society, the benefits are not shared evenly in Illinois. There is significant room for improvement across other dimensions of well-being—evidence that the state is not getting the full bang for its buck.

Equality is weak. Illinois fares poorly across most equality measures. Racial equality is noticeably weak; gaps in poverty and college attainment by race place Illinois in the bottom third of states. Income equality is also a particular challenge. Illinois' Gini coefficient (a standard international measure of income inequality) rank is 42nd—a testament to the relatively poor distribution of the state's significant wealth. Despite being among the top 15 states in GDP per capita, unemployment in Illinois is high; only 7 states have higher unemployment rates. Although some working Illinoisans are prospering, far too many are struggling to make any income at all.

Weak equality may undermine sustainability. The lack of community engagement and a high rate of violent crime also keep Illinois' investment outcomes from translating into overall well-being for its residents. Illinois' stark income inequality may in part explain residents' low level of civic participation. Illinoisans rank in the bottom 20 in charitable donations of both time and money. The state's voting and voter-registration rankings (33rd and 35th, respectively) are similarly weak. Another challenge is violent crime, specifically the epidemic of gun violence in Chicago. Illinois ranks 30th in violent crime, and Chicago alone had 772 homicides in 2016.[1]

Alleviating the problems illuminated here—violence, unemployment, the education resource gap, and low voter registration—could go a long way toward improving well-being in Illinois. But finding the capital to fund solutions won't be easy, given Illinois' rather anemic GDP growth (in 39th place nationwide) and a 2017 budget deficit projected to reach $8 billion.[2]

These numbers are often used to paint Illinois' future as hopeless. We believe it is anything but. Although growth has been somewhat disappointing, Illinois has a mature, diverse, and still-vibrant economy. And the state's growing deficit is driven less by the overall health of Illinois' economy and more by lawmakers' unwillingness to make tough decisions about tax rates and spending priorities. It won't be easy, but there is a path forward for unlocking Illinois' potential to elevate the well-being of its people.

Illinois' Path Forward

Our analysis demonstrates that for all of the state's challenges, it has a strong foundation on which to build. It possesses a large and diverse economic base, an educated workforce, and an abundance of human capital. It provides good health care access, and has an education system that, in parts of the state at least, matches the best in the country.

Building on a Strong Foundation. State residents and outsiders alike seem to have lost sight of Illinois' strong foundation in the face of the state's well-known administrative gridlock and dysfunctional political culture. Surprisingly, Illinois performed relatively well in the 2015 State Integrity Investigation conducted jointly by The Center for Public Integrity and Global Integrity. ("Relatively" is the operative word, since all states received a grade of C or below.) The study assessed state governments in accountability and transparency, considering existing state laws and their implementation.[3] Illinois ranked above average in such categories as procurement, internal auditing, and pension fund investment management (which is separate from pension funding), and received an overall ranking of 13 on the basis of nearly 100 indicators. (Among the most populous states, Washington ranked 8th, Massachusetts was 11th, Ohio was 6th, and California was 2nd.) So despite its notorious history of administrative malfeasance (four of the last eight state governors went to prison) and its current political ineffectiveness, the state, on some key measures, is actually among the less corrupt in the country.

Corruption, then, should not be accepted as a blanket excuse for lawmakers' failure to govern. Merely addressing specific political failures—such as the pension funding gap and the low bond rating—although important, will not be enough to lift Illinois' performance. The state's politicians can—and should—do better. Voters can—and should—hold them accountable. Illinois must play offense rather than defense. Political and civic leadership must be galvanized to shift the conversation to highlighting—and leveraging—Illinois' structural advantages, rather than only decrying Illinois' shortcomings.

Illinois companies attracted $1.1 billion in venture capital investment, almost a 250% increase over 2013.

The state, after all, has tremendous assets, starting with Chicago, an economic engine and a magnet for young, college-educated talent from across the Midwest. Chicago is also, increasingly, a city that attracts tourists from far and wide. When Mayor Rahm Emanuel took office in 2011, Chicago drew approximately 40 million visitors annually. By 2016, that number had risen to 54.1 million, a 35% increase in only five years. From 2015 through 2016, eight new hotels opened in the city's central business district.[4]

It's one thing to attract tourists; it's another to attract the economic contributions of job creators and workers. To do that, Illinois' leaders—political, civic, and business—must move beyond the shopworn battles of the 20th century, such as workers' compensation reform and union-busting, to fostering a robust 21st century economy. In 2015, Illinois companies attracted $1.1 billion in venture capital investment, almost a 250% increase over 2013. Yet in venture investment, the state lags not only California, New York, and Massachusetts but also Washington and Texas.[5] Today, the city's growing network of innovation incubators supports fledgling companies that may become tomorrow's job creators, exerting a multiplier effect on an economy that is already relatively strong. Illinois must figure out how to fully grow and support a modern innovation ecosystem—one that offers ample opportunity for its well-educated younger workers. At the same time, the state must build the critical mass to serve as both a magnet and marketplace for top talent and top companies.

Aiming for Education Equity. Though Illinois performs reasonably well in the overall education investments ranking, the outcomes vary significantly for children by socioeconomic status. Kids from low-income households, for example, lag the overall high school graduation rate by 7.5%. Although the reasons for the lag are complex, the way in which the state funds education is a significant factor.

Improving equality in education would help Illinois leverage its significant demographic advantage: a young population and a high worker-to-retiree ratio.

Because the state relies heavily on local property taxes to fund public schools (K-12), funding levels vary dramatically between wealthier areas, which have high property-tax revenues, and poorer areas. Smoothing out this disparity would go a long way toward equalizing opportunities for education. And improving equality in the education system would, in turn, help Illinois leverage its significant demographic advantage: a young population and a high worker-to-retiree ratio. The state must maximize the potential of *all* its younger residents to make them, collectively, a powerful engine of future growth.

Inequity in education funding is common and complex, but it is not intractable. Twenty-five years ago, Massachusetts, currently the country's top performer in education, was in much the same position as Illinois is today. The Bay State's funding levels between high- and low-income districts also varied greatly owing to a heavy reliance on local property taxes to fund schools. To change course, the state invested both time and money, increasing state aid and committing to sustaining the focus on improving education over the span of a generation. The deep involvement of the business community, formalized through the establishment of the Massachusetts Business Alliance for Education, provided a strategic roadmap for the state's education reform. The alliance also insulated reform from day-to-day political shifts and provided continuity between gubernatorial administrations.

Illinois has the benefit of an engaged business community and a network of nonprofits that support similar education reform efforts. So the issue is a matter not only of policy but also of private-sector involvement: Can stewardship by the business community support improvement in the state's education system over the long term? Are Illinois business leaders willing to deepen their participation and take a more hands-on approach? Are they prepared to provide the long-term continuity necessary to promote sustained improvement in the face of political challenges?

Fortifying Fiscal Management. The effects, both direct and indirect, of poor fiscal management are real and substantial. Illinois squanders its notable GDP in various aspects of its economics performance. It has the 13th highest GDP per capita in the US, yet it ranks 39th in GDP growth. Only New York and Virginia have lower rankings in GDP growth among the most populous states. Unemployment is also a significant concern and a key contributing factor to the state's poverty rate, which is the 28th highest in the country. Finally, the state has the lowest rate of funded pension liabilities in the US and the worst-in-the-nation bond rating, both of which drag down its economics performance dramatically. Removing these two measures from the eight that comprise the economics element would cause Illinois' economics ranking to jump 14 spots to number 30. Likewise, the state's overall ranking would climb four places to number 30.

By contrast, Massachusetts is third in GDP per capita, 25th in GDP growth, and has the sixth lowest unemployment rate. The upshot: Illinois is generating wealth but failing to leverage it effectively.

How can Illinoisans pressure lawmakers to act? How can business leaders help lawmakers find solutions? How can stakeholders move beyond the gridlock and begin taking steps toward solutions?

Takeaways from Top-Ranking Peers

Illinois must choose its strategic path. States that have clear, coherent strategies tend to rank higher in well-being than states that do not. Certainly, there are many approaches, each with its own set of tradeoffs. But perhaps the best way to clarify the impact of strategy on well-being is to examine two states with very different strategic paths. At one end of the spectrum is the Massachusetts model of strong investments and high levels of well-being at some expense to extraordinary growth and equality. At the other end is the Texas model that seeks high growth at some expense to sustainability and structural enablers. (For more on the consequences of such tradeoffs, see the sidebar "What Does Best in Class Look Like?")

The growth story of Texas is compelling. Although it ranks 11th out of the 50 states in GDP per capita, just two spots above Illinois, Texas leads the country in GDP growth and finishes second overall in economics. It has a strong foundation with which to attract talent. Despite the exceptional growth of Texas, it remains less expensive than many highly populated states, ranking 27th in cost of living. This might well contribute to the state's favorable net migration rate, which is the 17th highest in the nation.

Illinois must choose its strategic path. States that have clear, coherent strategies tend to rank higher in well-being than states that do not.

Texas is not, however, strongly oriented toward providing for its residents or investing in medium- and long-term fundamentals. It ranks 50th in sustainability and 38th in investments, leading to an overall ranking of 32—a poor showing for a state with such breathtaking growth. In equality, the state's ranking of 18 appears positive, until we see that the gap among demographic groups is minimized only because overall health and education outcomes are relatively low to begin with. The following state rankings are telling:

- Number 37 in alleviating poverty for residents, 14 spots below Illinois
- Number 38 overall in investments, 21 spots below Illinois
- Number 44 in health investments, 28 spots below Illinois
- Number 26 in education investments, 17 spots below Illinois
- Number 50 in minimizing the number of uninsured people, 42 spots below Illinois

WHAT DOES BEST IN CLASS LOOK LIKE?

Comparing states' performances naturally raises the question of what it takes to be best in class. The true though somewhat unsatisfying answer is, it depends.

For the large, diverse states that make up Illinois' peer group, best in class would mirror the economics performance of Texas, the investments of Massachusetts, and the equality and sustainability achievements of Washington. Each of these states has made conscious decisions about where to invest time, energy, and focus, driving success in key areas even at the expense of others.

Texas, for example, has made growth a priority, and that focus is reflected in its first-place rankings in economics among the most populous states. In sustainability, however, Texas is dead last, 50th out of 50 states. The state's air and water quality, as measured by particulate-matter emissions and toxic discharges into waterways, are the worst in the country by a wide margin. So profound is the impact of these environmental results that removing these two metrics alone from the SEDA framework would elevate the state's overall ranking two positions, from 32 to 30. Civic participation in Texas is also low; the state ranks 45th in voter registration and 47th in voting.

Texas fares poorly in health and education outcomes, as evidenced by its overall ranking of 38 in investments. The percentage of the state's population that lacks health insurance is the highest in the country. Unsurprisingly, the state struggles to meet the demand for mental health care, and its obesity rates are high.

Massachusetts, on the other hand, with its strong push in investments, has achieved top outcomes in health and education. Yet the state struggles mightily with equality. The gap in college attainment between white and black residents is the widest in the country; between white and Hispanic residents, it is among the widest in the country. Income inequality in the state is also high.

Although its economic performance is solid, its cost of living is among the highest in the country, and it has one of the lowest net migration rates in the US. It is also in the bottom third of states when it comes to funding its public pension liabilities.

Among the most populous states, Washington ranks first in equality and sustainability. The state has relatively low income inequality, and it has relatively narrow gender gaps in poverty and life expectancy. Washington's first-place position in the sustainability ranking is a function of its reliance on renewable energy (highest in the nation) as well as its low crime rate, good governance, and high level of civic participation (the state is among the top 15 in voter participation).

Washington is growing fast, with the 13th-best net migration rate in the country. However, Washington's physical infrastructure hasn't kept up with its growth. The state ranks 43rd in road quality and 38th in average commute time.

WHAT DOES BEST IN CLASS LOOK LIKE? (continued)

So to become best in class, a state might want to emulate Texas to achieve growth, follow the strong commitment of Washington to environmental stewardship, and imitate the efforts of Massachusetts to produce an educated workforce. And no matter the model, a best-in-class state would work diligently toward fixing one of the most entrenched challenges of all—racial, gender, and socioeconomic inequality—so that all of its residents can enjoy an equal opportunity for success.

Because the Texas economy relies so heavily on energy, particularly oil and gas, it is also prone to boom-and-bust cycles in those industries. In other industries, however, the state has excelled in attracting human as well as business capital, with its mix of warm weather and an inviting business climate. Austin, in particular, has fashioned itself into a technology hub.

Massachusetts, by contrast, ranks 11th in economics and 19th in sustainability. But it is number one in investments, leading to a top overall SEDA ranking.

The state's rankings reflect a strong focus on taking care of its residents:

- Number 13 in alleviating poverty for residents, 10 spots above Illinois
- Number 1 overall in investments, 16 spots above Illinois
- Number 1 in health investments, 15 spots above Illinois
- Number 1 in education investments, 8 spots above Illinois
- Number 1 in minimizing the number of uninsured people, 7 spots above Illinois

But Massachusetts has struggled with promoting upward mobility and may have a challenging future. Despite its focus on education, the achievement gap between white and minority students remains staggeringly high. For example, compared with other states, Massachusetts has the largest white-black gap in college attainment for those aged 25 through 34; the state also has the fourth-largest white-Hispanic college attainment gap for those aged 25 through 34. The state is expensive, ranking 44th in cost of living, which may be hurting its ability to attract residents (its net migration rate is among the lowest in the nation). The state also has a relatively old population—it ranks 40th in the percentage of population under age 30—which is of concern for future economic growth. And although not as bad as Illinois, Massachusetts falls in the bottom third of all states when it comes to funding its pension liabilities.

Between these two divergent models, Illinois splits the difference—to negative effect. It is 44th overall in economics despite a strong GDP, and it ranks 38th in equality. The state's hefty investment in health and education—it ranks 17th overall in investments—is either ineffective or, more likely, unevenly distributed.

Moving Forward

Despite the state's daunting challenges, there is cause for optimism about its prospects. The records of states such as Massachusetts and Washington—and even New York, New Jersey, and Minnesota—offer hope. All face similar economic challenges: deindustrialization and its profound impact on jobs, a strong union presence and generous worker's compensation payouts that raise the cost of doing business, legacy economic burdens that include high pension obligations, and diverse and complex demographics. All have wrestled with (and continue to wrestle with) difficult tradeoffs and uncertainties. But these states have done well in ensuring the well-being of their residents in the face of these challenges.

Illinois, like these states, has its share of legacy strengths, including a world-class city, an educated workforce, and a history of investment in its people.

But the most successful large states have clear aspirations and a plan to realize their goals. Illinois, by contrast, currently has no similar long-range plan. It is instead mired in gridlock. What it needs is a vision, a strategy, and the will—political, economic, and social—to think through tradeoffs, make well-considered choices, and lay the groundwork for long-term success.

The path forward will require Illinois' stakeholders—policymakers, business leaders, civic groups, and residents—to stop focusing narrowly on roadblocks and instead take an expansive view of the possibilities as they try to shape a better future.

NOTES

1. City of Chicago Data Portal, Crimes 2001 to present. (See https://data.cityofchicago.org/Public-Safety/Crimes-2001-to-present/ijzp-q8t2/data.)
2. The GDP growth data throughout this report covers the three-year period ending 2015.
3. "State Integrity 2015: Only three states score higher than D+ in State Integrity Investigation; 11 flunk," The Center for Public Integrity, November 9, 2015. (See https://www.publicintegrity.org/2015/11/09/18693/only-three-states-score-higher-d-state-integrity-investigation-11-flunk.)
4. "Chicago hits new tourism record with 54.1 million visitors in 2016," Chicago Curbed, January 6, 2017. (See http://chicago.curbed.com/2017/1/6/14189470/chicago-news-2016-record-tourism-mayor-emanuel.)
5. The State Science & Technology Institute, citing the 2015 *MoneyTree Report* by PwC and the National Venture Capital Association. (See http://ssti.org/blog/useful-stats-venture-capital-dollars-and-deals-state-2010-2015.)

APPENDIX I

About Our Sources

A wide cross section of state-level data is readily available from government sources. We relied heavily on the US Census across the four framework elements, with a particular focus on the annual American Community Survey. Additional economic sourcing came from the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Pew Charitable Trusts, and S&P bond ratings.

Measures for the investments element came primarily from the US Census and the Centers for Disease Control, but we also used data from the US Department of Health and Human Services, the US Department of Education, the US Department of Transportation, the American Association of Medical Colleges, and the National Institute for Early Education Research.

The equality element measures gaps in income, health, and education outcomes across demographic groups. Therefore, we largely relied on the same sources as we did for those measures—primarly, the US Census and the Department of Education. The sole exception was a study published April 10, 2016, in the *Journal of the American Medical Association* titled "The Association Between Income and Life Expectancy in the United States, 2001–2014." The article, by Professors Raj Chetty of Stanford University and David Cutler of Harvard University, describes the findings from the Health Inequality Project.

The structural enablement measures in our sustainability element came from more diverse sources. Environmental data was pulled from the US Environmental Protection Agency and the US Department of Energy, and civic engagement measures came from the US Census, the Internal Revenue Service, and the Bureau of Labor Statistics. The governance dimension relied on data from the Center for Public Integrity and the US Department of Justice.

APPENDIX II

Indexed State-Level SEDA Scores by Element

Rank	State	Overall score	Economics	Investments	Sustainability	Equality
1	Massachusetts	100.0	58.8	100.0	57.5	42.2
2	New Hampshire	94.1	46.5	76.1	72.0	85.2
3	Utah	90.4	74.9	58.9	56.3	82.0
4	Vermont	90.2	27.5	75.1	84.9	89.7
5	Minnesota	88.8	59.0	76.4	66.3	41.6
6	North Dakota	88.4	100.0	57.5	40.5	48.5
7	Colorado	87.4	72.7	49.9	76.1	64.1
8	Washington	87.0	63.3	51.9	80.5	69.6
9	Nebraska	86.8	70.4	63.4	57.3	60.4
10	Iowa	85.5	57.6	64.6	71.0	55.4
11	Connecticut	79.3	34.7	76.0	71.7	43.0
12	Oregon	79.0	46.5	52.7	83.8	61.4
13	Maryland	78.4	51.2	63.0	60.7	59.0
14	Hawaii	75.3	32.8	63.0	52.9	100.0
15	Delaware	75.0	76.5	52.6	35.2	62.2
16	Wisconsin	73.0	49.6	54.6	69.0	46.6
17	Maine	71.3	11.5	58.4	100.0	58.1
18	Virginia	71.2	51.7	48.7	69.7	49.4
19	New Jersey	70.3	27.7	73.0	53.3	57.9
20	Wyoming	69.3	74.8	51.5	31.1	49.5
21	South Dakota	63.3	64.4	44.9	57.7	16.6
22	Montana	63.3	29.1	49.8	57.9	80.8
23	Alaska	62.9	51.9	36.9	41.3	94.6
24	Idaho	62.8	48.1	29.2	73.5	68.2
25	California	61.4	45.0	51.0	46.2	53.8
26	Rhode Island	61.0	31.8	56.9	61.3	37.6

Indexed State-Level SEDA Scores by Element
(continued)

Rank	State	Overall score	Economics	Investments	Sustainability	Equality
27	North Carolina	60.9	51.3	42.8	61.0	34.5
28	New York	58.1	43.1	58.5	39.8	32.1
29	Kansas	57.4	42.9	45.0	49.8	50.8
30	Ohio	48.6	42.6	40.7	50.3	21.7
31	Indiana	48.1	48.0	41.0	28.4	45.2
32	Texas	46.3	79.0	27.5	0.6	55.6
33	Pennsylvania	42.9	30.3	44.3	40.4	29.9
34	Illinois	41.9	18.5	53.9	34.9	33.2
35	Missouri	40.9	40.3	37.4	29.7	37.0
36	Georgia	39.1	50.9	23.1	41.2	25.7
37	Kentucky	36.8	12.1	34.1	60.1	36.2
38	Florida	33.9	27.6	36.0	27.9	40.0
39	Michigan	33.1	21.4	41.3	36.5	19.2
40	Tennessee	31.5	43.9	22.8	26.1	33.7
41	Arizona	29.7	19.7	19.0	42.6	60.9
42	South Carolina	28.3	30.1	23.3	38.5	25.9
43	Oklahoma	26.5	48.0	10.6	26.0	36.3
44	New Mexico	19.3	12.1	24.2	23.8	47.4
45	Nevada	18.7	37.4	11.5	2.3	62.8
46	Arkansas	18.4	26.7	18.9	22.9	27.6
47	Alabama	11.7	15.0	8.5	40.5	21.2
48	West Virginia	10.0	0.5	17.2	23.8	50.6
49	Mississippi	0.4	1.7	0.4	45.8	12.1
50	Louisiana	0.2	19.6	2.2	26.0	1.0

Source: BCG analysis.
Note: SEDA = Sustainable Economic Development Assessment.

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