Near-Bankrupt Illinois Aims to Deflate ‘Golden Parachute’ Payouts for Public Officials

In Illinois, neither scandal nor misconduct have sufficed to keep some government officials from receiving lavish severance payouts.

One proposal in the General Assembly, however, aims to relieve taxpayers of this obligation. Senate Bill 3604, filed April 10 by state Sen. Tom Cullerton, D-Villa Park, would limit government workers’ ability to collect extravagant severance packages, also known as “golden parachutes,” on their way out the door.

SB 3604 would establish the Government Severance Pay Act, which would mandate specific provisions in government employment contracts that limit the capacity for excessive severance pay. For one, the bill would impose a fixed ceiling on severance payouts, capping any severance pay at the equivalent of 20 weeks of compensation.

The bill would also re-establish public-worker severance pay as a privilege, rather than an entitlement, mandating that government worker contracts include a provision barring severance packages for employees terminated due to misconduct.

Lawmakers previously ventured to curtail golden parachute severance packages with the passage of Senate Bill 2159. The bill, filed by state Sen. Bill Cunningham, D-Chicago, required greater transparency in severance pay negotiations for public university officials, and further capped their payouts at one year’s compensation. Gov. Bruce Rauner signed SB 2159 into law July 2016.

University officials have been among the most generously compensated in the face of career-ending scandal. The Better Government Association illustrated as much in a report released in October 2017, cataloguing a number of big severance payouts. University officials comprised seven of the nine Illinois officials listed in the report.

The College of DuPage Board of Trustees issued one of the largest severance packages for a government employee in Illinois history, according to the Chicago Tribune. During his tenure, President Robert Breuder hid more than $95 million in public expenditures, $243,300 of which was used to purchase liquor. The item was misleadingly labeled "instructional supplies" on ledger lines. In turn, trustees purchased Breuder's early retirement for nearly $763,000 in severance pay.

More recently, the Northern Illinois University Board of Trustees furnished a disgraced former president with a golden parachute only modestly outmatched by Breuder's. The NIU Board of Trustees voted unanimously in 2017 to grant a $600,000 severance package to former President Doug Baker, who had earlier resigned in the wake of a patronage scandal. A circuit court eventually ordered NIU to cease payouts to Baker, but not before the former president had already collected the lion's share of his payout.

"Failed administrators and executives shouldn't receive golden parachutes for wasting taxpayers' time and money," Cullerton said at the time of the board's decision. "Our state universities and community colleges need to stop abusing state funds. These dollars should go toward educating our children, not lining the pockets of ineffective administrators."

Growth in administrative costs in Illinois' higher education system has eclipsed that of instruction. Between 2005-2015, a period during which full-time equivalent fall student enrollment dropped by nearly 3 percent, full-time equivalent administrator positions at public universities in Illinois increased by more than 26 percent, according to National Center for Education Statistics data. In contrast, instructional positions grew a mere 2.1 percent. And in spite of a shrinking student body, more than half of Illinois' university administrators were receiving a base salary of at least $100,000 in 2015. These large salaries feed administrators' inflated pension payouts. Together with large severance packages, these costs drive up student tuition and worsen the strain on taxpayers.

But it isn't just in higher education where these payouts occur. In an effort stave off litigation, Metra awarded aggrieved former CEO Alex Clifford a $718,000 severance package in 2013.

Taxpayers in local school districts, too, are expected to pick up steep severance costs in the event of severe misconduct. Resigning in the wake of sexual harassment accusations, Floyd Williams Jr., superintendent of Des Plaines School District 62, reached a payout agreement with his employer in which he collected roughly $127,000, or his outstanding school year salary.

Most Illinoisans, meanwhile, have experienced a fiscal climate sharply different from that of golden parachute recipients. Indeed, the same environment that has delivered six-figure payouts and premature retirements to public officials, has pushed a top-heavy tax burden onto the backs of working Illinoisans. Between 2008-2015, Illinois homeowners saw property tax bills rise six times faster than household incomes. The disparity between those who collect extravagant severance pay and those who foot the bill points to a serious need for reform.

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