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The Illinois Policy Institute is an independent, nonprofit 501(c)(3) charitable organization. Contributions in any amount are welcome and tax deductible to the fullest extent of the law.
2012 marked the 10-year anniversary of the Illinois Policy Institute. I’ve been privileged to serve as its CEO since July 2, 2007. Among the many lessons I’ve learned during my tenure is just how significant the Illinois Policy Institute has become in shaping the free market agenda and the resulting policy.

Yes, you can read that again: there have been significant results achieved, as you will read inside this Annual Report. However, the painful truth is that those policy results are woefully inadequate when compared with the challenges we face, which leads me to the most important lesson I have learned – culture is king.

Culture matters because public policy becomes law through a political process; and the political process is responsive to culture. The Progressive Movement has long been deeply, broadly and relentlessly engaged in changing culture as a predicate to changing laws. Through this strategy, the political process becomes ripe for the culture progressives wish to codify into law.

The mistake the Center-Right Movement has long made is to use the political process to codify into law the culture it thinks should exist. The result is a political process that is often not ripe, which explains, in part, why candidates and policies underperform relative to the opportunity available.

A current example of the progressive strategy is the left’s campaign to make culture ripe for a progressive tax scheme in Illinois. Government unions and other groups have launched a campaign to make Illinois culture receptive to a progressive tax, which would take a change to the Illinois Constitution. We have launched a countercampaign, which is one of our most important projects now underway.

As 2013 unfolds, watch how the left infuses its class warfare arguments into the media, into your communities, into your local governments and into just about every aspect of your life. Watch, too, for us. For we will be there, in the trenches, fighting for our point of view every step of the way. I am grateful to know you will be there with us as we fight for the very soul of our once great state and country.

In liberty,

John Tillman | CEO
[ VISION ]

The Illinois Policy Institute’s vision is to make Illinois first in economic outlook and job creation and to become a free enterprise leader for the rest of America.

[ MISSION ]

The Illinois Policy Institute inspires changes in hearts, minds and laws through its mission to promote personal freedom and prosperity in Illinois and America. As a leading independent research and education organization, the Institute generates positive and sustainable policy solutions for citizens and lawmakers that help unleash talent and entrepreneurial ability.

[ APPROACH ]

The Illinois Policy Institute’s approach is to transform liberty principles into marketable policies that become law. The ultimate sign of success is when free market ideas are turned into law and change lives for the better. What does this look like? Individuals and businesses become more prosperous without the fear of government favoritism or interference, families can choose a high-quality education for their kids and citizens respect their government because it is open and transparent to all.
[ THE TEAM ]

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External relations associate

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External relations associate

Amanda Martin
External relations coordinator
The Illinois Policy Institute spent 2012 pushing back against ObamaCare. President Barack Obama's one-size-fits-all model takes health care decisions and dollars out of the hands of patients and puts them into the hands of bureaucrats. This federally mandated expansion would overload an already-broken Medicaid program and trap Illinoisans in a system of government dependency and inferior care.

In February, the Illinois Policy Institute joined the Cato Institute, as well as 15 other free market organizations and a bipartisan group of more than 300 legislators in filing an amicus brief with the U.S. Supreme Court. While the court ultimately upheld the individual mandate, it did strike a blow to the biggest budget-busting provisions in the law: ObamaCare's massive expansion of Medicaid.

In its decision, the Supreme Court held that the federal government could not force states to expand their Medicaid programs. In Illinois, ObamaCare was expected to put one in three Illinoisans on Medicaid. ObamaCare’s Medicaid expansion is now completely voluntary.

Illinois law prohibits ObamaCare’s expansion of Medicaid eligibility. Although the Quinn administration, special interest groups and a number of Democrats have proposed to change the law and opt in to ObamaCare’s expansion, Illinois Policy Institute staff have met with dozens of lawmakers and blocked these attempts in 2012.

The Illinois Policy Institute is constantly connecting the dots and tracking the pulse of Illinois’ political ecosystem. Some of the biggest issues we covered in 2012 included ObamaCare, the Chicago Teachers Union strike, the possibility of a federal bailout of state pension systems and wasteful spending.
Democratic lawmakers attempted to authorize the Medicaid expansion during the lame duck session in January 2013. The Institute was the only group present to testify against the expansion in committee. The bill died without being called to the floor.

The Illinois Policy Institute has also worked to block a state-funded ObamaCare exchange in Illinois. ObamaCare permits, but does not require, states to create ObamaCare exchanges. Although funded by state tax dollars, Illinois would have no control over this new state-funded bureaucracy. Federal rules and regulations would dictate virtually all aspects of the exchange’s operations. If the federal government wants an ObamaCare exchange, Illinois should let the federal government pay for it and take responsibility for it if and when it fails.

During the course of the year, the Institute hosted a series of presentations by Illinois Policy Institute staff and national experts with lawmakers, media and the public on why Illinois should not pay for an ObamaCare exchange. Institute staff met regularly with lawmakers, highlighting how little control they would have over an ObamaCare exchange, despite the $100 million price tag.

Despite immense pressure from Gov. Pat Quinn to create a state-funded exchange immediately, Illinois officials reluctantly certified to the federal government that it would not do so in 2014. Quinn has continued to push for a state-funded exchange to be operational by 2015, but legislation to create an ObamaCare exchange died in committee.
All across the country, states are grappling with pension systems that are massively underfunded. Under new accounting rules, Illinois' unfunded pension debt stands at more than $200 billion. But while Illinois' pension systems may be in the worst financial shape in the country, we're not alone. Recent calculations have put the total level of states' unfunded pension debt at $2.5 trillion, and possibly as high as $4 trillion. To put that in perspective, that's more than all taxes paid to the federal government last year and more than one-sixth of the entire U.S. economy.

Unfortunately, the past few years have shown exactly what happens when large institutions face big problems: the federal government swoops in to bail out those institutions it deems "too big to fail." The next big bailout request – this time for state pension systems – is on the horizon.

Gov. Pat Quinn has floated the idea, both in meetings with U.S. Treasury Secretary Timothy Geithner and in his original 2012 budget. In 2012, former U.S. Rep. Hansen Clarke, D-Mich., introduced a bill that sought $500 billion dollars in federal loans to bail out Detroit's finances and help its underfunded pension program. It's only a matter of time until other governors, mayors and city council members with mismanaged finances follow suit, heading to Washington, D.C., with their hands out.
But even if the federal government had the money to bail out state pensions, it would only punish responsible states and reward reckless ones. That's why the Illinois Policy Institute launched NoPensionBailout.com, an interactive website highlighting the dangers of a federal bailout. While states such as Illinois and California would fare well under a bailout, it would come at the expense of states that have been responsible and taken active steps to rein in government spending.

Sadly, as long as a federal bailout is on the table, state and local governments will continue to kick the can down the road, delaying the structural spending reforms that are so critical to their long-term fiscal health.

That's why the Illinois Policy Institute partnered with national experts, as well as state and federal lawmakers, to stop the idea of a federal bailout dead in its tracks. The Institute worked closely with former Sen. Jim DeMint, R-S.C., and with the U.S. Congress Joint Economic Committee to expose the bailout plan and highlight just how destructive it would be. The No Pension Bailout project has been covered in The Wall Street Journal, USA Today and U.S. News & World Report, among other media outlets.
[ PROVIDING THE FACTS ON THE CHICAGO TEACHERS UNION STRIKE ]

During the Chicago Teachers Union strike the Illinois Policy Institute was the primary source of objective information for local and national media.

We succeeded by hitting quickly with solid facts and sharp analysis. The Illinois Policy Institute reminded the media that the school system was about to run out of reserve funds and was facing severe deficits even with a favorable contract. We showed that Chicago teachers had the highest salaries of the top 10 metropolitan areas in the nation, along with the shortest workdays. We made the case for reasonable wage cuts instead of pay hikes and brought attention to a state law that called for a strong evaluation process — a law that the union was seeking to undermine.

The Illinois Policy Institute was instrumental in demonstrating that the union’s demands were outrageous and unaffordable, that the strike was called for illegal purposes, and then, at the end, that the mayor and school board had agreed to an unaffordable contract that would do little to improve the quality of education provided by Chicago Public Schools.
The Chicago Teachers Union strike could prove to be a turning point in Illinois politics. Since the strike ended, the debate on labor relations has shifted in the direction of reform, with the Illinois Policy Institute calling for an overhaul of the state’s labor policy in an article in the Chicago Tribune. Our analysis argued that collective bargaining, especially in the case of government employees, gives unions what amounts to veto power over important policy decisions, while forced membership dues create a taxpayer-supported lobby for big government.

Our call is being heard. Even the current administration and Illinois General Assembly, both heavily indebted to big labor, have been forced to grapple with union officials, especially those who represent government employees. During the lame duck session the General Assembly passed what was called the “management bill” – with the Illinois Policy Institute’s policy and Government Affairs team helping to get the bill sent to the governor. The management bill provides that up to 4,000 state employees, mostly high-ranking executives and managers, cannot be unionized. This is only the first step. Over the coming years, the Illinois Policy Institute will build a bolder and more ambitious labor reform movement.
Illinois has a spending problem. Politicians argue that every check cut from government coffers is essential government spending. The 2012 Illinois Piglet Book shows why that’s simply not true.

The Illinois Policy Institute partnered with Citizens Against Government Waste on the 2012 Illinois Piglet Book. It highlights nearly 200 examples of wasteful government spending that robs taxpayers of more than $350 million. This is a real problem that hurts real people.

From $9,941 for “Speedy the Turtle” bobbleheads to $200,000 for customized eco-friendly zip lines, some examples of wasteful spending seem humorous. But there’s no laugh track playing as taxpayers foot a $2.3 million cable TV bill for prison inmates to get their weekly fill of Seacrest and Snooki.

Other wasteful spending is disguised as pro-growth policies. The millions of taxpayer dollars given to MillerCoors and Boeing Co. for relocation were meant to promote a skilled labor force and foster business activity.

The story that’s often not told, however, is that to fund this corporate favoritism, the state must take money from families, corporations, small businesses and struggling entrepreneurs. The businesses are not to blame, for it’s the politicians who are responsible and, by extension, accountable for this corporate welfare.

Illinois’ spending problem is rooted deeply in the growing culture of wasteful spending, overpromising and disrespect of taxpayers in Illinois.

Piglet 2012 was featured on FOX News Channel, FOX Chicago, online at TheBlaze.com and major TV stations in Springfield including WICS and WAND.

The Illinois Policy Institute believes that the ideal role of government is to promote economic freedom and individual liberty. Freedom and liberty are unduly infringed upon when the state taxes families and businesses to send the spoils to frivolous programs, special interest groups and businesses with lobbyists.

The 2012 Illinois Piglet Book called on state officials in Illinois to end the culture of habitual over-spending, cut the waste and return focus to providing core government services.
In addition to the biggest issues the Illinois Policy Institute worked on 2012, the following are a handful of additional issues we covered. To learn more about all of the work we do on budget and tax, good government, health care, jobs and growth, education, labor and litigation, visit illinoispolicy.org.
[ LOCAL TRANSPARENCY PROJECT ]
In 2012, the Illinois Policy Institute continued the fight against government corruption with our Local Transparency Project. Through this project, the Institute audited 220 local government websites for proactive online transparency. The Institute helped the village of Lombard, Kane County and Hanover Township score a 100 percent on our 10-Point Transparency Checklist.

[ LOCAL PENSION ACCOUNTABILITY ]
In 2012, the Institute launched its Local Pension Accountability tour, a series of town halls and debates all across the state. Institute staff, media, union representatives and public officials hashed out who should be accountable for future pension benefits: the actual employer or the state?

[ FISCAL NOTES: PUTTING PRICE TAGS ON LEGISLATIVE BILLS ]
The Illinois Policy Institute published its third annual fiscal notes study. We found that of the 494 new laws passed in 2012, just 3 percent included a description of how much they would cost. Altogether, the 97th General Assembly received fiscal notes for just 2.3 percent of bills that became law.

[ SUPPORTING SCHOOL CHOICE FOR ILLINOIS ]
The Illinois Policy Institute continued to support charter expansion and funding equity in 2012. To this end, we have authored numerous research studies and proposed legislation that will provide parents and students with more educational options across the state.

[ WARDING OFF A PROGRESSIVE TAX ]
The Institute continues to be a leading voice in the fight to defend families, entrepreneurs and job creators from the push to implement a discriminatory and inefficient progressive income tax. We participated in debates, appeared in numerous media outlets and produced compelling research to show how detrimental this discriminatory tax increase would be for Illinois.

[ ILLINOIS NEWS NETWORK: NEWS FROM THE LIBERTY PERSPECTIVE ]
Today more than any time in the history of our republic there is a need for a watchful set of eyes monitoring legislative affairs. The Illinois Policy Institute’s Journalist in Residence Scott Reeder produces a weekly newspaper column that is published by more than 70 newspapers. He also generates the twice-weekly Reeder Report, which provides analysis of what’s happening in Springfield. Started in 2012, the Illinois News Network showcases major investigations of waste, fraud and abuse throughout state government. In 2012, 70 media outlets published the weekly column and nearly 14,000 received the weekly Reeder Report. To learn more, visit ILNEWS.org.
As the litigation center of the Illinois Policy Institute, the Liberty Justice Center, or LJC, enters its second year of operation, we are continuing to further our mission of taking the defense of liberty to the courts and beyond.

In 2012, LJC worked to vindicate the rights of entrepreneurs wishing to earn an honest living by representing James Nuccio and Gabriel Wiesen of Beaver’s Donuts in a lawsuit against the city of Evanston. This lawsuit challenges a city of Evanston ordinance that bans Nuccio and Wiesen from operating a food truck in the city solely because they do not own a brick-and-mortar restaurant in Evanston. LJC also continues to work on behalf of Bloomington resident Julie Crowe, a would-be entrepreneur who wishes to start a vehicle-for-hire service for college women who seek a safe mode of transportation. In the meantime, our fight against Illinois’ campaign finance law also continues in the federal District Court in Chicago.

LJC also spoke out against proposed city of Chicago anticompetitive regulations and drafted legislation to require open meetings for government union collective bargaining throughout Illinois.

For more information, visit libertyjusticecenter.org. For case request information, go to libertyjusticecenter.org/contact.

[ CASES FILED IN 2012 ]

Beaver’s Coffee and Donuts v. City of Evanston
Julie Crowe v. city of Bloomington
Illinois Liberty PAC and Bachrach v. Madigan
At the Illinois Policy Institute we take a marketing-centric approach to transforming liberty principles into policies that eventually become law. As part of that approach we focus on a variety of disciplines, from community-building digital strategy to developing mutually beneficial relationships with members of the traditional media to organizing and hosting top-shelf events to developing compelling short films to developing world-class graphic designs. These disciplines help us connect the dots in Illinois. On the following pages you will see the impact of our traditional and digital media outreach along with a summary of the events we hosted in 2012.
**[ ILLINOIS POLICY INSTITUTE GROWS MEDIA REACH ]**

During 2012, the Illinois Policy Institute was one of the most widely quoted research organizations in the state. The Illinois Policy Institute's media presence grew by 223 percent over 2011 – a tremendous achievement – as our experts solidified their position as the go-to source for public policy issues in Illinois.

**[ EARNED MEDIA ]**

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<tr>
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<td>Chicago market</td>
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<tr>
<td>National market</td>
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**[ BY MEDIUM ]**

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<tr>
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<td>Television</td>
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</tr>
<tr>
<td>Radio</td>
<td>110</td>
<td>240</td>
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<tr>
<td>Print</td>
<td>327</td>
<td>1,478</td>
<td>352</td>
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2012 was a record year in digital outreach for the Illinois Policy Institute. We were ranked No. 1 in the first-ever State Policy Network Social Media Index and continue to retain the top spot. While many politicians and legacy media have forgotten about the life-altering benefits of free market policy, our community has not, and your commitment is reflected in our ever-expanding reach online. We would like to thank you for all of your hard work and encourage you to continue changing hearts, minds and laws by engaging with your friends, neighbors and lawmakers online.

### [ ILLINOISPOLICY.ORG ]

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<th>Total 2012</th>
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<td>Unique visits</td>
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<td>13,976</td>
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<td>Referral traffic</td>
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### [ EMAIL ]

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<tr>
<td>Subscribers</td>
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<td>Average open rate</td>
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<tr>
<td>Average click rate</td>
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### [ YOUTUBE ]

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<tbody>
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<tr>
<td>Videos</td>
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### [TWITTER]

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<tr>
<td>Followers</td>
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<td>16,420</td>
<td>321</td>
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<tr>
<td>Interactions (May - Dec.)</td>
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<td>Unique users (May - Dec.)</td>
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<td>Impressions (May - Dec.)</td>
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### [FACEBOOK]

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<th>Avg 2011</th>
<th>Avg 2012</th>
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<tr>
<td>People talking (monthly)</td>
<td>130</td>
<td>1,563</td>
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<td>Engaged users (monthly)</td>
<td>315</td>
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<td>Viral reach (monthly)</td>
<td>2,972</td>
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<td>Likes</td>
<td>2,475</td>
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The Illinois Policy Institute brings prominent leaders from the liberty movement together with our members and guests for engaging events. In April 2012, Wisconsin Gov. Scott Walker visited the Institute just weeks before his historic recall victory to discuss how he repaired his state budget without tax increases and by reining in the power of special interest groups.

Walker pointed out that in 2011, Illinois and Wisconsin both faced severe budget crises — but the paths they took to respond could not have been more different.

For Illinois, Gov. Pat Quinn chose to enact the highest tax hikes in state history, and it has led to disaster.

But Wisconsin chose a different path — and it’s working. With Walker at the helm, our neighbor to the north took real steps toward reform and closed the state’s budget gap without tax increases or broken promises. At the Institute event, Walker spoke about the challenges he faced staring down government unions and returning his state to solvency by embracing free market reforms.

More than 130 people attended the event, which received significant news media attention in Chicago, Wisconsin and national outlets. We will continue to invite reformers like Walker to join us so that Illinois can continue to learn from the free market examples happening in other states.
The Liberty Speakers Series is the Illinois Policy Institute’s premier lecture series that brings leading voices to Illinois to discuss current events and free market principles. As part of this series, the Institute partnered with the George W. Bush Institute to co-host “Tax Competition and 4% Growth: What the Midwest Can Show the Rest of the Country.”

Nearly 200 influencers and entrepreneurs attended the conference and heard from former Indiana Gov. Mitch Daniels, who served as the keynote speaker. Panelists of the event included: Jimmy John Liautaud, founder of Jimmy John’s Gourmet Sandwiches; Rep. Aaron Schock, R-Ill.; and Chicago businessman Bruce Rauner. The event also included an interview with David Booth, chairman of Dimensional Fund Advisors.

The Illinois Policy Institute also welcomed leaders in school choice throughout 2012. Mike Feinberg, founder of the Knowledge is Power Program, or KIPP, gave a talk about how KIPP is changing the educational landscape in Chicago by opening a new charter school that focuses on digital learning. We also hosted Ron Packard of K12, a leader in online learning, to talk about how his company helps ensure that students succeed using state-of-the-art software.

We hosted speakers from national and international organizations as well, including American Enterprise Institute President Arthur Brooks, Ayn Rand Institute President Yaron Brook and John Blundell, the former Director General and Ralph Harris Fellow of the Institute for Economic Affairs.
The Liberty Speakers Series also hosted several key influencers, authors and advocates. In 2012 we hosted education reform advocate Juan Williams of FOX News Channel to talk about how the Chicago Teachers Union is fighting the very policies that would help its students the most. Also, we hosted political historian Michael Barone who spoke about what to expect during the 2012 election cycle. National Review columnist John Fund spoke about the corruption of the U.S. voting process. “Back to the Land” author C.J. Maloney shared the story of Arthurdale, a city planned by the Roosevelt administration that failed both its inhabitants and taxpayers. Weekly Standard columnist and FOX News commentator Stephen Hayes spoke about how the 2012 election offered two clear paths for the nation to choose between. And “Coming Apart” author Charles Murray shared how the ruling class in America is separating itself more and more from the average American.
In 2012, the Illinois Policy Institute celebrated its 10th anniversary with an election night viewing party. Nearly 250 guests joined to commemorate this special milestone and view the election results.

We also hosted our Gifts of the Free Market event in December to celebrate the holiday season. Our focus during this time of the year is on the free enterprise system, and how it is the best mechanism to help the poor and disadvantaged, as well as society in general. This is an annual tradition that allows the Illinois Policy Institute to promote the benefits and gifts that the free market provides to all people. This year, more than 200 guests joined in the festivities, which included a special performance by the Pritzker College Prep choir.
[ FINANCIAL REPORT ]

[ TOTAL INCOME ]

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[ INCOME BY SOURCES ]

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<td>$523,000</td>
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<tr>
<td>Corporate</td>
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<td>Other</td>
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<th>2012</th>
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<tr>
<td>Total giving $1,000 or more</td>
<td>95</td>
<td>106</td>
<td>133</td>
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</table>
Charity Navigator, the nation’s largest and most-utilized independent evaluator of charities, has awarded the Illinois Policy Institute with its highest and most prestigious four-star rating. According to Charity Navigator, this distinction indicates that the Institute consistently executes its mission of promoting liberty in a fiscally responsible way, outperforming most charities in America. We are thankful to all who support our mission and make our work possible!
[ BECOMING A MEMBER OF THE ILLINOIS POLICY INSTITUTE IS AN INVESTMENT IN FREEDOM ]

Are you a member of the Illinois Policy Institute? Even if you've donated in the past, you may not be a member. That's because we just started our formal membership program at the end of 2012.

The Illinois Policy Institute serves as your leading policy indicator, picking up on trends and activity in Springfield and then providing the research, analysis, media outreach and grass-roots rallying for free market solutions. By changing Illinois for the better, we can give hope and prosperity to our fellow citizens, and we can demonstrate to the rest of the country that states and people are not static, but evolve and change.

For this evolution to occur, you need a dedicated team working harmoniously to change culture and the public policy process. Our members are a part of this great team in Illinois. We've created a variety of different membership levels with exciting benefits – will you join us today?
Consider joining us through one of the following levels:

**Member:** $25 annual donation

**Sponsor:** $500 annual donation

**Patron:** $1,000 annual donation

**Friend of Liberty:** $5,000 annual donation

To see the benefits associated with these membership levels and to see all of the membership levels available, visit illinoispolicy.org/donate.

To become a member go to illinoispolicy.org/donate or call Jonathan Greenberg, vice president of external relations, at 312.346.5700 ext. 206.
Dear friends:

As you’ve read throughout this Annual Report, 2012 was a great year for the Illinois Policy Institute. I’m so honored to work with an amazing group of people dedicated to transforming this state with liberty-inspired policies.

We’re getting ready for even greater things in 2013. Here’s a sneak peak of what's in store:

- **Expanded Statehouse presence.** Based out of our “Liberty Embassy” in Springfield, the Illinois Policy Institute's policy outreach team will present an ambitious legislative agenda. Our goal is to touch more decision-makers with the economic freedom message than ever before.

- **Betting on Illinois.** This state isn’t a lost cause. Follow us in print and in video as we highlight the stories of real people working to make Illinois great again. Know of someone who has a compelling story to tell? Drop me a line at the email address below.

- **Illinois News Network.** Journalist in Residence Scott Reeder’s weekly columns and political email updates will be buttressed with a new website featuring Statehouse coverage and investigative reporting. To learn more, visit ilnews.org.

- **More great events.** Our Liberty Speakers Series is a hit, and we’re looking forward to bringing more big names to Illinois in 2013.

- **Become a member.** We’re asking supporters to advance the mission of making Illinois No. 1 by becoming an official member of the Illinois Policy Institute. At illinoispolicy.org/donate, you’ll find a listing of valuable benefits that come along with membership, including special updates and events. Can I count you in?

Supporters like you make all of our work possible – thank you for supporting us as we fight for liberty.

Sincerely,

Kristina Rasmussen  
Executive Vice President

P.S. I want to hear from you! What is the one issue you think the Illinois Policy Institute should focus on more in the coming years to advance freedom in our state? Email me at krasmussen@illinoispolicy.org.