

# Illinois PIRG



## 2013 Annual Report



### Picking Up the Tab

Average Citizens and Small Businesses  
Pay the Price for Offshore Tax Havens

**Illinois PIRG**  
Advancing the  
Public Interest





# From The Director

Andre Delattre for Illinois PIRG

*Dear Illinois PIRG member,*

*Fighting for the public interest is never easy. Up against powerful opposition, it can sometimes feel like all the hard work of organizing and advocacy isn't making much of a difference. But then, suddenly, there's a burst of progress, and it's easy to see how every petition, every phone call, every report and lobby meeting added up to something big.*

*And that's how I feel when I look back on 2013. Ever since we worked to pass new reforms for Wall Street in 2010, we've been fighting to get the director of the new Consumer Financial Protection Bureau confirmed—and last summer, we finally won, freeing up the CFPB to focus full-time on its mission of protecting consumers. Already the CFPB has refunded to consumers \$750 million due to deceptive marketing and unfair billing practices of credit card companies. Meanwhile, the outcry of nearly 200,000 people moved the Justice Department to prohibit a tax deduction for part of JPMorgan's settlement for financial wrongdoing—saving taxpayers \$700 million. And despite website glitches, new rights and options for health care came online at the end of the year.*

*As that last example shows, sometimes progress doesn't go as smoothly as it should. And as the final farm bill, which fails to make significant cuts to the wasteful subsidies for junk food ingredients, reminds us, we don't win every battle the first time. But whatever comes, in 2014 or after, we'll be there fighting to make sure the public's voice gets heard.*

*Sincerely,*

*Andre Delattre  
For Illinois PIRG*

# Making Health Care Work

## Illinois PIRG Educated The Public As The New Marketplaces Went Live

Faced with glitches, misinformation and confusion about the Affordable Care Act, Illinois PIRG and Illinois PIRG Education Fund fought back with public education campaigns on campuses and communities across the state.

### Clearing Up The Confusion

In October, at the same time as the government shutdown, and just as the Healthcare.gov website's glitches started to become clear, young people looking for health insurance faced another obstacle—ads designed to scare them away from coverage.

Our staff and student volunteers launched a major outreach campaign at college campuses across Illinois to get factual information into the hands of young people.

Emma Chupein, a student at the University of Illinois, volunteered on the outreach project at her Chicago campus. "Students have lots of questions about health insurance," she explained. "We're sharing information to help students find good insurance that won't break the bank."

Illinois PIRG staff and student volunteers released new "Illinois Health Insurance 101" guides, with factual information about the ins and outs of the Affordable Care Act, and practical tips for making the most of new coverage options.

### Reaching 100,000 Students

By the end of the year, the nationwide project launched by our federation of state PIRGs reached more than 100,000



**GETTING HEALTH CARE FACTS TO STUDENTS**—Illinois PIRG and our national federation has been reaching out to students on college campuses across the state to get them the information they need to make smart decisions when exploring their new health care options.

students with facts about the Affordable Care Act and tips on finding the right coverage for themselves.

"Many college students are uninsured, and for many more losing coverage is just around the corner when they graduate or turn 26," said Laura Etherton, Illinois PIRG Education Fund health care policy analyst. "It's critical for students and other young people to get the information they need to make smart decisions."

The campus education project, which continues into 2014, is funded in part through generous grants from the Robert Wood Johnson Foundation and the

Illinois Department of Public Health, in addition to contributions from Illinois PIRG members and key local foundations.

In addition to reaching out to young people, Illinois PIRG and Illinois PIRG Education Fund also worked to get facts into the hands of consumers of all ages.

And at the end of 2013, with many consumers facing the decision of whether to renew their existing individual plan or switch to a new one, we released, "Should I Stay or Should I Go?" a guide with timely tips and a useful checklist to help consumers navigate their options.

# Closing Corporate Tax Loopholes

## Shining A Spotlight On Tax Dodgers and Pushing for Reform

With federal action on closing offshore tax loopholes stalled amidst historic partisan gridlock, and many states facing dire budget crunches, Illinois PIRG research gave state lawmakers the tools they needed to crack down on corporate tax dodging.

### Illinois Loses \$2.5 Billion Every Year

Many of America's wealthiest individuals and largest corporations use tax loopholes and complicated accounting tricks to shift profits made in America to offshore tax havens, where they pay little to no taxes. When corporations skirt taxes, the public is stuck with the tab in the form of cuts to public programs, higher taxes or more debt.

While much attention had been paid to how offshore tax dodging robs the federal treasury, Illinois PIRG for the first time calculated how much it hurts state budgets. Our research found that Illinois loses more than \$2.5 billion in revenue every year as a result of offshore tax haven abuse, the fourth-highest total in the nation. Collectively, states lost \$40 billion in revenue, about equal to the total amount spent by all state and local governments on firefighters in 2008.

The report also found that the average Illinois small business would have to pay \$3,202 to cover the cost of offshore tax dodging, while the average taxpayer has to shoulder an additional \$1,508 in taxes every year. The study was covered by nearly 100 media outlets across the country, and Illinois PIRG is now working with state lawmakers to recapture some of the revenue lost to shell companies in tax havens.

This year saw several record-breaking corporate settlements. From JP Morgan to



**CALLING OUT TAX DODGERS**—Illinois PIRG's Dan Smith (far left) worked with Sen. Carl Levin (right) on his Stop Tax Haven Abuse Act, which would close a number of offshore corporate tax loopholes and save taxpayers \$220 billion over ten years.

Bank of America, many companies agreed to massive settlements with the federal government for corporate misdeeds.

### No Tax Break for Wrongdoing

Illinois PIRG continued to shine a media spotlight on a little known loophole in the justice system that often lets companies settling out of court write off the cost of the settlement as a "business expense." Ordinary citizens don't deduct their parking tickets or library fines from their taxes, and corporations shouldn't be able to deduct their settlements for wrongdoing either.

When it was announced that JP Morgan was closing in on a \$13 billion settlement

for toxic mortgage-backed securities that contributed to the financial crisis, \$5 billion was at stake if the company was allowed to write it off. Illinois PIRG joined our federation of state PIRGs and launched an online petition to the Justice Department that was signed by 160,000 Americans, and held a press conference in front of the Justice Department to deliver them.

The Justice Department saved taxpayers \$700 million by barring part of the settlement from being deducted, but left much of it deductible. Shortly after the settlement was announced, a bipartisan bill was introduced in the Senate that would end write-offs for wrongdoing.

# Reclaiming Our Democracy

## More Momentum But New Challenges In Fight To Get Big Money Out Of Politics

The 2012 elections were a stark reminder of just how bad the problem of big money in elections has become as a result of the Supreme Court's Citizens United decision. Outside groups like super PACs spent more than \$1 billion dollars in cash they aggregated from just a small handful of well-heeled special interests, drowning out the voices of millions of ordinary citizens.

### Citizens United: Part Two

Despite the havoc wreaked by Citizens United and confidence in elected officials' ability to represent their constituents being at an all-time low, in October, the Supreme Court once again took up a case that could allow even more big money into elections: *McCutcheon v. FEC*.

To shine a light on the proceedings, Illinois PIRG rallied outside the Supreme Court on the day of oral arguments for *McCutcheon*. Joined by allies from across the political spectrum, we said "enough is enough" and called on our representatives to take action to fix the problem.

Along with Demos, we published groundbreaking research projecting that if the Court rules the wrong way in *McCutcheon*, it would mean more than \$1 billion in additional campaign contributions from fewer than 2,800 individuals between now and 2020. That research was cited by the *New York Times* when it editorialized on the case, advising the Court to uphold the contribution limits in question.

### Illinois Calls For An Amendment

In May, Illinois became the 14th state to pass a resolution calling on Congress to pass a constitutional amendment to overturn the *Citizens United* decision and restore our power to set limits on big money in elections. By the end of 2013, 16 states and more than 500 cities across the country had gone on the record in favor of such an amendment.

Illinois PIRG also published research alongside Demos that detailed some of the effects of the *Citizens United* ruling. In our report, "Billion Dollar Democracy," we found that the top 32 super PAC donors, giving an average of \$9.9 million each, matched the \$313 million raised by President Obama

and Mitt Romney from all 3.7 million of their small donors.

In the meantime, we are supporting efforts to empower ordinary citizens by incentivizing more small donors to vote with their dollars in elections. This spring, legislation will be introduced to create a system to encourage candidates to seek out funds from constituents rather than from a handful of large donors.

The Supreme Court may not yet have gotten the message that in a democracy, the size of your wallet should not determine the volume of your voice, but we know that the American people have never been more ready to reclaim our democracy.



**THE PEOPLE SPEAK OUT** — Illinois PIRG Federal Democracy Advocate Blair Bowie rallied for reform in front of the U.S. Supreme Court on the day of oral arguments for *McCutcheon v. FEC*.

# Stop Subsidizing Obesity

## Massive Grassroots Effort Calls For End To Costly, Unhealthy Junk Food Subsidies

After failing to muscle through a Farm Bill laden with wasteful subsidies in 2012, Big Ag pulled out all the stops in 2013 to try to keep their gravy train flowing. But we upped the ante too, and fought back against the status quo of allowing our tax dollars to subsidize obesity.

### Mobilizing 280,000 Activists

When the Senate Agriculture Committee stripped out a reform limiting subsidies for agribusinesses making more than \$750,000, we knew we'd have to win a vote on the floor of the Senate to reinstate it.

We worked with a broad coalition of organizations spanning the political spectrum, from environmental groups to conservative taxpayer groups, who all agreed that spending billions to subsidize giant agribusiness was wasteful and unfair. And we mobilized grassroots pressure, generating calls, emails and letters to Congress, calling on our elected leaders to side with taxpayers, not Big Ag. The amendment sailed through the Senate with 59 votes and strong bipartisan support.

When Big Ag plastered one of the Capitol Hill subway stations with misleading ads depicting small farmers who supposedly depend on these subsidies, we knew better. In reality, three-quarters of all agricultural subsidies are snapped up by four percent of agribusinesses, and more than 60 percent of farmers don't see a dime. So we built up our list of small farmers against handouts to Big Ag to be 1,000 strong.

Most importantly, we presented the facts. Releasing a new edition of our "Apples to Twinkies" report, we found that since 1995, \$19 billion in agricultural subsidies had gone to support four common junk food additives, including high fructose corn syrup. Media coverage from CNN and other outlets ensured we got our message out far and wide.

### Bipartisan Coalition Responds

In September, with the clock winding down until the current Farm Bill expired, we held a press conference to deliver the latest of 280,000 petitions and a letter signed by 1,000 small farmers, all calling for Congress to end junk food subsidies.

We were joined by both a Republican and Democratic member of Congress, as well as organizations from across the political spectrum. Our message was clear: It's time to end these wasteful handouts to Big Ag once and for all.

Although the final farm bill passed by Congress does not go nearly far enough toward ending subsidies to large agribusinesses, we helped put Big Ag on the defensive for the first time, and the modest cuts we won set important precedents we can build off of in the future.



**BIPARTISAN SUPPORT TO END WASTEFUL AG SUBSIDIES**—Democratic Rep. Ron Kind and Republican Rep. Tom Petri joined Illinois PIRG to deliver petitions and call on Congress to end subsidies to large agribusinesses for junk food ingredients.

# Let's Label GMO Foods

## Protecting Consumers' Right To Know

Consumers should be able to make healthy, responsible and informed food choices—yet it's usually impossible to know whether the food we eat contains genetically modified ingredients (GMOs).

In 2013, Illinois PIRG—alongside our federation of state PIRGs—launched a national campaign for GMO labeling, raising the profile of the issue and pressuring Congress to require labeling at the national level.

### The Right To Know If It's GMO

Polling shows that 96 percent of Americans support labeling GMO food, and with good reason. Many GMO crops are designed for increased pesticides and herbicides, which have been linked to serious health impacts. It may be years before we understand the full impact of GMOs—some studies have suggested that GMO crops can create “superweeds” and harm wildlife. In fact, the U.S. is one of only two industrialized countries without GMO labels: The European Union and more than 60 countries worldwide require the labeling of GMO foods.

Fortunately, decision-makers and companies alike are finally starting to listen to consumer demand. In 2013, half of the states in the U.S. considered state laws to label GMOs, and Maine and Connecticut passed legislation. At the same time, members of Congress from across the country co-sponsored GMO labeling legislation, while Whole Foods became the first national grocery chain to pledge to label GMOs.



**OVERWHELMING PUBLIC SUPPORT TO LABEL GMOS**—Polls show that 96 percent of Americans support a law requiring genetically modified foods to be labeled.

Despite the overwhelming public support for GMO labels, big agribusinesses like Monsanto have been fighting tooth and nail to defeat labeling laws.

### Big Ag's Money Floods Elections

In the last two years, Big Ag spent more than \$50 million to defeat ballot initiatives in Washington and California. Coca-Cola and Pepsi also spent millions, perhaps because so much genetically modified corn is used to make the high-fructose corn syrup in their products. Despite these powerful special interests' ability to influence the public through deceptive advertising, intense lobbying and campaign contributions, consumer demand for labels has created real momentum.

In 2014, Illinois PIRG has plans to build on this momentum to hold our decision-makers accountable to the public. And since Congress has been slow to take action, we'll ask grocery stores to heed their customers' concerns and lead the way on labeling. Our field staff across the state will call for Jewel grocery stores to follow Whole Foods' lead by labeling their store-brand products.

The support we build through public outreach will give advocates in the Statehouse and Congress additional ammunition to increase the pressure on our decision-makers to pass GMO labeling laws, and to protect our right to know what we feed our families.

# Reining In Wall Street

## Working Alongside The CFPB To Protect Consumers From Unfair Practices

In the wake of the 2008 financial collapse, Illinois PIRG was instrumental in organizing the consumer, senior, labor and civil rights coalition that fought alongside consumer champions such as Professor Elizabeth Warren to enact the 2010 Wall Street Reform and Consumer Protection Act, which had as its centerpiece the establishment of the Consumer Financial Protection Bureau.

### Milestone: Cordray Confirmed

The CFPB is the nation's first federal financial agency with just one job—protecting consumers no matter where they buy their financial products, at banks, mortgage companies or even payday lenders. The CFPB took over as the nation's chief consumer regulator in July 2011.

In 2013, the CFPB turned just two years old, but came of age. After a protracted two-year battle, the Senate finally confirmed its director, former Ohio Attorney General Richard Cordray, who had been operating under a recess appointment. The confirmation removed any uncertainty over the bureau's authority to protect consumers in the non-bank marketplace.

The CFPB's power over banks had always been clear, but in the absence of a confirmed director, opponents had filed lawsuits challenging its authority over non-banks, including private student lenders, mortgage companies, auto lenders, payday lenders, credit bureaus and debt collectors.

Illinois PIRG conducted numerous activities in support of Cordray's confir-

mation, including holding news conferences and delivering petition signatures to the offices of swing senators. Illinois PIRG Consumer Program Director Ed Mierzwinski and Elizabeth Warren, now a U.S. senator in Massachusetts, did an outreach call to more than 6,000 labor activists urging action.

But the uncertainty over its unconfirmed director did not hold the CFPB back from protecting the public. It has already returned nearly a billion dollars in refunds to consumers victimized by the unfair practices of large credit card companies billing consumers for deceptively-marketed add-on credit monitoring and similar products for \$10-\$20 per month.



**DEFENDING THE CFPB** — In July, Richard Cordray was confirmed as director of the Consumer Financial Protection Bureau. Illinois PIRG mobilized in defense of Cordray, urging the Senate to confirm him.

For the first time, an agency has the power to look inside the previously black box operations of the Big Three credit bureaus. These credit bureaus wield tremendous power over financial and employment opportunity, despite their well-known penchant for making mistakes and then ignoring consumer complaints. In 2013, the CFPB also completed a series of rules designed to protect homebuyers and homeowners from another mortgage meltdown.

### Protecting Students From Lenders

In September, Illinois PIRG Higher Education Director Christine Lindstrom was a featured expert at a CFPB hearing on the growing number of colleges outsourcing student loan disbursement onto prepaid debit cards issued by banks and financial firms. Other schools are co-branding student IDs as bank debit cards.

Following the hearing, the CFPB issued a December report recommending what we've been urging since our major 2012 report, "The Campus Debit Card Trap." The CFPB is now calling for colleges to publicly disclose their debit and prepaid card contracts, as they are required to do by law for their credit card co-branding contracts.

In October, Mierzwinski spoke as a panelist at the CFPB's Chicago field hearing, where it released a report finding that the PIRG-backed Credit CARD Act of 2009 had largely cleaned up unfair penalty fee practices in the credit card marketplace. However, the CFPB found that more needed to be done to protect consumers, especially in the add-on product marketplace.

## CFPB Gets Results

One of the significant victories in the establishment of the CFPB was giving it authority to establish a public consumer complaint database. Transparency makes markets work better. In the fall of 2013, Illinois PIRG rolled out the first three of a series of five planned reports analyzing complaints to the database.

tacted the credit bureaus about a problem,” Murray said. “These are people who would probably still be calling and writing the credit bureaus trying to get their problems resolved.”

In addition to telling the CFPB’s story to the public and building its visibility, in 2013, we also led efforts to block various



**A WATCHDOG ON THE FINANCIAL BEAT**—Illinois PIRG’s Consumer Program Director Ed Mierzwinski worked alongside the CFPB to ensure that consumers are protected from questionable practices.

Our reports on bank account complaints, student loan complaints and credit bureau complaints found that the CFPB is getting results for consumers. In fact, in its short history, the CFPB has already made credit card companies give back more than \$750 million in unfair fees to consumers.

We compared complaints by state and ranked the banks and financial firms on a variety of metrics. Illinois PIRG Consumer Associate Laura Murray, a key author of the series, spoke with NBC News about how the bureau made a difference for credit bureau complainants.

“Clearly, there are thousands of people who were not satisfied when they con-

gressional proposals to take away the CFPB’s independent funding, give corporate wrongdoers the power to petition to overturn its actions, or otherwise tie it in bureaucratic knots.

In 2014, we will continue to defend the CFPB from attacks, and we’ll urge the agency to investigate and take action in key financial reform areas, including forced arbitration reform, new rules against unfair overdraft fees and payday loans, and protections for consumers with campus debit cards and prepaid cards.



## How the Consumer Complaint Database works for you



### 19,000 Complaints

The database tracks complaints made by consumers to the CFPB and the responses of financial institutions to those complaints.



### Available to the public

The Consumer Complaint Database enables the CFPB to identify financial practices that threaten to harm consumers and enables the public to evaluate the performance of both the financial industry and the CFPB.



### The CFPB’s searchable database

helps consumers make better economic and safety choices by reviewing others’ experiences and searching for problems.

## Illinois PIRG

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## 2013 Annual Report



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# Illinois PIRG

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