

Interview with Robert Mandeville

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Interview # 1: December 6, 2013

Interviewer: Mike Czaplicki

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Czaplicki: Today is Friday, December 6, 2013. My name is Mike Czaplicki. I'm the project historian for the Governor Thompson Oral History Project here at the Abraham Lincoln Presidential Library. I'm with Dr. Robert Mandeville, who was Governor Thompson's budget director for most of his tenure. He's been gracious enough to come in on a very cold day and sit down and chat with us. Thank you, Bob.

Mandeville: You're welcome.

Czaplicki: We always like to start at the beginning with these things and ask, when and where were you born?

Mandeville: Nineteen thirty-one, April 29, in Jacksonville, Illinois.

Czaplicki: What is this document we're looking at here? Is this a scrapbook of yours? An autobiography?¹

Mandeville: Yes, written about three years ago.

Czaplicki: Unpublished?

Mandeville: Unpublished, yes. I wrote it for my kids and my grandkids.

Czaplicki: Oh, excellent. I'd like to take a look at that at some point in some more detail. Any brothers and sisters?

¹ Dr. Mandeville wrote an autobiography for his family members, which he brought with him to the interview sessions. Throughout these transcripts, when he makes asides to talk about pictures and newspaper articles, he is usually referring to this document. Some of this material is reproduced in the transcripts.

Mandeville: Yes, there were eight in our family. I had three brothers and four sisters. Eight total.

Czaplicki: How did your family happen to end up in Jacksonville?

Mandeville: Actually, my dad and mom were both from Jacksonville. Dad grew up on a farm, south of Jacksonville, a place called Lynnville. In 1888, his father, my grandfather, homesteaded in western Nebraska. He received title to 160 acres if he stayed on it five years. You know how that works.

Czaplicki: Under the Homestead Act?

Mandeville: Yes. Unfortunately, there were many years of drought. He ended up losing the farm, moving back to Jacksonville, and buying a farm from a relative. So they were farmers most of their lives. My dad, there were nine children in his family, which was not uncommon in those days. Dad was from Jacksonville. My mom was from Alexander, which is just a few miles east of Jacksonville. They met in Jacksonville, and got married in 1921.

Czaplicki: What did they grow? What was on the farm?

Mandeville: On the farm in Lynnville, they grew crops like corn and soybeans, which is about all Illinois grows. But later on, in 1942, my dad bought a truck farm in St. Louis County and we moved down there. You have tomatoes, you have asparagus—we had an acre of asparagus. If you ever cut an acre of asparagus, you wouldn't want to do it again; (laughs) your back would be thrown out. We had tomatoes, we had grapes, we had plums, we had peaches, we had apples, and we had potatoes. We would grow them. We'd put them in the back of a '35 Ford and go down to Third Street in St. Louis and sell them to the merchants. They would come to the marketplace and pick up a crate of tomatoes or potatoes or grapes or whatever.

Then dad went to work for what is now McDonnell Douglas. It was Curtiss-Wright at the time. He had been an auto mechanic. Ran his own shop in Jacksonville, on South Main, for twenty-five years. He'd just mainly work on the ignition systems of an automobile, coils, batteries, and so on. But his health got bad working inside all the time, so the doctor advised him to change jobs. So he took a job in a factory. We moved down to St. Louis County, and he worked in the factory, and he also worked on the farm. I went through the fifth grade at Our Saviour School in Jacksonville, run by the Dominican nuns. Then when I went to St. Louis County, the last three grades and high school were at St. Mary's. Grade school run by Franciscans, and the high school by the St. Joseph nuns. Got well-indoctrinated in nuns. (laughter)

Czaplicki: Was it a big change to move over to St. Louis County, or were you still primarily rural?

Mandeville: It was a big change. We didn't have the farm in Jacksonville. My dad's family did. In Jacksonville, we lived in the city. We initially lived on West College Street, which was kind of—I would call it a pretty high-income level there. It



was the house of one of my mom's relatives. During the Depression, in '33, we lost use of that house, and we moved in with my mom's aunt on East College from '33 to '42. That was different. I was only two years old when we moved, so I don't really remember much about it. But I do

remember moving to St. Louis. That was a change, from a small city lot, right behind the Lutheran church on East College, to a forty-acre truck farm. That was a change. I'll show you a few pictures. (pages turning) This is me and my dog in 1946.

Czaplicki: Your dog's name is Zed?

Mandeville: Zed, yeah. This is the farmhouse we lived in. It was a two-bedroom house, with a kitchen and a living room downstairs. So all seven of us—one of my sisters died young—plus mom and dad, lived in two bedrooms. I can't remember where some of us slept. (laughs) There wasn't room for all of us upstairs.

Czaplicki: Did you move into an existing house, or did you put that up yourselves?

Mandeville: It was an existing house, built in '21. A guy by the name of Mives. We bought the farm from Mr. Mives, and this was his house. So when we moved in, the house was there. There was one bathroom inside and an outhouse. And again, in '42, an outhouse was not uncommon on a farm. Large families were not either.

Czaplicki: That was Mr. Marbus? M-a-r-b-u-s?

Mandeville: M-i-v-e-s. He built it in '21. It was not a very nice house. The basement was always wet and leaking. But when you're young, you don't even realize you're in a bad house. You take it for granted.

Czaplicki: Is it safe to say you grew up a Cardinals fan?

Mandeville: Yeah. In fact, I went to a World Series in 1944. The Cardinals played the Browns. Intercity series. The only time that happened, because the Browns

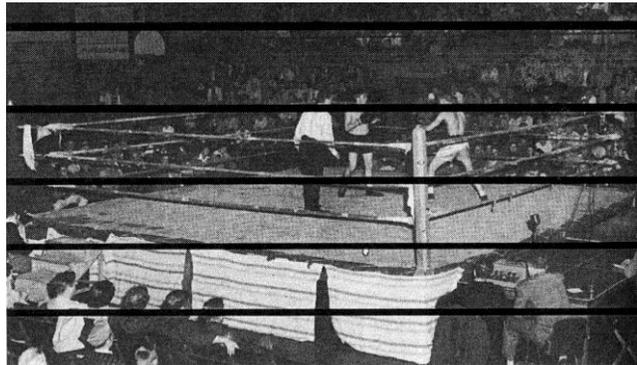
were generally very bad. If it hadn't been war years, they wouldn't have been there. They had a center fielder, named Pete Gray, with one arm. Pete Gray would catch the ball, and quicker than most outfielders, he would put his glove underneath his stub and throw the ball. It was a good experience to see that.

Czaplicki: So you would have been about thirteen when you went to that?

Mandeville: Yeah, 1944. Nothing much happened when I was in the eighth grade, except I was working. A neighbor had a foundry where he made the aluminum castings for electric motors. When you do that and you break the mold, little bits of aluminum fall into the sand. My job was to shovel the sand into a sifter and get all the aluminum out of the sand so we could make the next mold. I did that until I went to high school. I went to high school three years at St. Mary's High School, a small Catholic high school in Bridgeton, Missouri, run by the St. Joseph nuns out at Carondelet in St. Louis. In '48, when I was seventeen, my teachers recommended I skip the senior year and go on to college. I thought that was neat, so I did. For the first two years, I went to St. Benedict's College in Atchison, Kansas. It's a rather small college, I think about a thousand students in 1948, run by the Benedictines. So I'm getting a good mixture of philosophy from the different orders. I was on the boxing team for two years. (pages turning)

Czaplicki: Oh, look at that.

Mandeville: Each year, we had what they called a smoker, where those on the boxing team would box people from other places. I boxed a guy from Kansas City, and I boxed a guy from Boys Town.² I won both fights, but Frank Szminski got me with a right cross, and I literally heard bells ringing. But he didn't knock me out. Ended on a split decision.



Czaplicki: That didn't make your parents nervous, you getting into the ring?

Mandeville: They didn't know.

Czaplicki: They didn't know?

² Boys Town is a famous social service agency for boys, originally founded as an orphanage by Father Edward Flanagan in Omaha, Nebraska. Mandeville is the boxer on the right in this photo from a St. Benedict's smoker.

Mandeville: No. They put me on a bus in St. Charles and said, "Get off in Atchison." I had a brother there who was a senior when I was a freshman. They said, "Charles will meet you at the bus and take you up to the college and introduce you." I got to Atchison and Charles was nowhere in sight. (laughs) Of course, I didn't have any money, so I walked up to the college. I saw Charles a couple of days later and asked him where he was. He forgot or something.

Czaplicki: (laughs) True big brother.

Mandeville: Yeah. But I enjoyed it. After the first week or so, I realized that I was free—seventeen, no parents, no restrictions except the college—and I almost got booted from college, acting up too much.

Czaplicki: What would acting up entail?

Mandeville: In those days, you'd have two to four people in each dormitory room. We had three in ours, and the next-door neighbors were, I think, two. They were harassing us, I guess you'd say. So we got the fire extinguisher, and we were going to spray them with the foam. We turned it on, and they ran. We ran after them down the hall with this fire foam coming out. Well, we took a mop and we cleaned it all up before Father Alquin, who was our dorm RA, came back. But when he came back, the foam had dried and the whole hall was white. He let out a yell, and these guys next to us ratted on us, so we got in trouble. We didn't get thrown out, but we were watched pretty close for a week or two.

Another little thing we did, and we didn't get caught on this one: While we were playing touch football, we saw a possum, so we killed the possum. We took him in and we put him in the room of one of these guys that ratted on us. We took a stick, we propped open his mouth so that the teeth showed, and we put him in the drawer where we knew he would have to go to get his book or pencils. He let out a yell. (laughter) So we got revenge. Things like that almost got me booted. But they didn't.

Czaplicki: A little bit of a practical jokester.

Mandeville: Yeah. The college was very understanding, of freshman especially.

Czaplicki: Did you have a scholarship to attend that college?

Mandeville: No. The high school I went to didn't even have a football team, a real one. We picked up a team on weekends from the public school a couple miles away in Pattonville, but we didn't actually have a league. It was too small. We had enough guys who would play. We weren't all that bad. My eighth grade class was ten people. That was from the grade school. The high school wasn't a whole lot more. Maybe twenty people.

Czaplicki: I guess I was thinking in terms of, today, you hear a lot about college costs. How much did it cost to go to—

Mandeville: About five hundred dollars.

Czaplicki: Per year?

Mandeville: Room and board, yup. You won't believe it now, but you have to put it in perspective. The highest my dad ever made in his life was fifty-five hundred dollars. When I got out of the air force in '56, I went to work for McDonnell Douglas and dad retired that year. We were both making the same salary, about fifty-six hundred a year. Five hundred is 10 percent of your salary. If you make forty thousand this year, four thousand would be 10 percent. To kind of keep it in reference to what the income was at that time, it was reasonable. But room and board, five hundred. I know it was hard for my folks to get the five hundred. Sending our kids to college, we know what it is like. Even in today's money, college is—it was about fifteen thousand for one at a private college. He went to Quincy.

Czaplicki: If I could backtrack just a little bit, away from college. Do you have many memories of the Depression, or is it something that affected your family in a major way?

Mandeville: I do very much, yeah. When we were in Jacksonville in the mid-thirties I was probably five or six years old, and what we called bums would come to the door asking for a meal. Today you'd call them homeless or hobos, a nicer name, but they were called bums then. We lived on an alley. Mauvaisterre and East College intersected, and right east of Mauvaisterre was an alley, before Clay Street. So they would walk down the alley, and they would go to whatever house they thought might be willing to give them something. Mom would never let them in the house, but they sat on the doorstep and she'd bring out a sandwich and a drink, no matter who came. That was just the way she operated. We saw many bums come. I mean, many homeless men come. My dad and mom had to move from a nice house to a lesser house. They moved in with somebody else in '33.³ So that was probably an indication that they weren't doing so good.

We moved down to St. Louis in '42, so my memory of the Depression would have been in Jacksonville. Basically, it was over by '40 or '41 and we began the war effort. But I do remember one other thing. We used to go around and pick up bits of metal—iron, steel—and take it to the junkyard, and we'd get, like, four cents for whatever we gave. Four cents was a lot of money for a kid then. My dad, in addition to being a car mechanic, had a series of candy bar machines. He put Hershey bars in. It cost one penny for a candy bar. One of

³ According to the 1940 Census, Mandeville's family lived at 223 East College Avenue.

my jobs was to go and empty the pennies out and refill the machine, when I was eight or nine years old, before we moved down to St. Louis.

Czaplicki: That's a tempting job. (laughs)

Mandeville: Yeah. I'd enjoy the benefits now and then. It wasn't a sign of the Depression, necessarily, but it was a sign of the relative cost of things. Today, you can't get a candy bar for less than, what, twenty-five, thirty cents, fifty cents? Depending on the size. These were relatively small, but still, for a penny.

Czaplicki: Were your parents especially political people? Do you happen to know who they voted for or what they talked about?

Mandeville: I think they were Democrats, for the most part. Dad was—I know he didn't like Eisenhower. His comment was that, "As a president, Eisenhower is a complete failure, but he is infinitely more successful as a president than as a soldier." (laughter) I still remember that quote. I don't know why he didn't like him. He was in World War I and was in France. He said everybody that went over to France in World War I, in the army, was gassed. I don't think dad had any effects from that, but the Germans apparently used gas quite a lot.

Czaplicki: Do you know what unit he served with?

Mandeville: I don't. I've got a picture of his whole company. I don't know the company, but I could probably find out.

Czaplicki: That would be great. My great-grandfather was in World War I, and he was gassed.

Mandeville: How old are you?

Czaplicki: I'm forty.

Mandeville: Forty, okay. So you would be...

Czaplicki: Born in '73.

Mandeville: Oh, then you're younger than any of our kids. Valerie was born in '71. She's our youngest. She's forty-two. Our oldest granddaughter is thirty-three.

Czaplicki: I'm surprised he didn't like Ike.

Mandeville: I liked Ike. I'm jumping around, time-wise. When I was in the service, I was stationed in SAC and was a crew member on a B-29.⁴ I was the radar

⁴ Strategic Air Command (SAC) was formed in 1946 and served as the military command for U.S. nuclear bombers and missiles until 1992. The B-29 Superfortress bomber was the initial backbone of SAC.

bombardier, which meant when the guy sitting up in the nose cone with a Norden bombsight couldn't see the ground, I would do the bombing. I went in, in '52, and for part of the time, I was stationed in Salina, Kansas, at Smoky Hill Air Force Base. Ike was from Abilene, Kansas. He'd fly in on Air Force One, which was a Lockheed Constellation, with the double tail. He would land at Smoky Hill and drive to Abilene, which was east of Salina. You wouldn't do this today, but he was in a convertible. No glass top. He was waving and standing in the car. They had it set up where he could stand and not fall out. So we saw him go by in Salina a couple of times.

I liked him. I thought he was good for a lot of reasons, but maybe the main one was the interstate highway system. I was probably Democrat-leaning, since I voted for Kennedy in 1960. I voted for Ike the first time I could vote. So I wasn't voting for one party or the other, I was trying to vote for the man. But I switched when the Democrats began to move too liberal, in my mind. I switched to the Republican Party, and I've voted in that ever since. I still vote for Democrats if I like the person. But I normally don't on a national level. Mainly, I don't like their platform anymore.

Czaplicki: All right, so two questions from this. First, is Eisenhower your earliest political memory? Is that when you remember getting interested in politics, or did that start when you were younger?

Mandeville: No, I had no interest in politics even then.

Czaplicki: Living in Missouri, Harry Truman wasn't a big deal?

Mandeville: I liked Harry Truman. I thought he was a straight shooter. You knew what he was talking about. There was no beating around the bush; he came right out. I liked him. But I didn't think of it as political, I thought of it as the president. For example, I didn't like Dewey. I didn't like the way he campaigned. I was old enough to understand in 1948. Truman succeeded Roosevelt when he died in '45 and served out the rest of that term. Then in '48 it was Dewey against Truman, and I didn't like Dewey. I was for Truman. I couldn't vote yet, but if I could, I would have voted for Truman. But I didn't think of it as political, really, in the sense I think you're probably saying it. I was not involved in politics. I had never worked on anybody's campaign. Never cared to. This is kind of interesting, maybe, for government, but I was never asked my political affiliation when I went for a job. They either hired me for what I could do, or they didn't hire me. I didn't care what they thought about my political...

Czaplicki: Did you notice much of what Governor Stevenson was doing in Illinois? Or Paul Simon was emerging around the same time, not too far away.⁵

⁵ In 1949, future senator Paul Simon was just getting his career started as the 21-year-old publisher of the *Troy Tribune*. He wrote a series of articles and columns exposing vice and corruption in Madison County, attracting the attention of the St. Louis press, Governor Stevenson, and Sen. Estes Kefauver, who was leading a

Mandeville: I liked Paul Simon, but I thought he was relatively weak in getting things done. I think he was a very good person. I don't especially like his daughter, but that's another matter. (laughs) I think she's moving into higher jobs too fast. Paul Simon was the lieutenant governor when Ogilvie was governor. The lieutenant governor in Illinois, you hardly ever see; they don't do anything unless the governor tells them to do it or lets them do it. The governor is the figure that matters, and the Speaker of the House, and the president of the Senate. They are the key people—and the attorney general.

If I got into politics at all, it was during Ogilvie's term. When he was running for reelection against Dan Walker, his office asked me to do a couple of things, which I would consider working on the campaign. I went up to Uptown in Chicago, where they dump many of the mental health patients, and I talked with the people there, especially the families who had family members or relatives who were mentally ill. The thing I remember about it was one lady came up and said, "Will you tell Governor Ogilvie to please keep my husband in the institution?" I said, "Why? You don't want him at home?" "Yes, I want him at home, but he's episodal. He goes in. They treat him for three months. They say he's cured. They send him home. He doesn't take his medicine, and he's terrible until they put him back in." That was her view. So she was definitely against the dumping of people if they could not maintain their medicine and what they had to do to stay, say, normal. That really stuck with me. I told the governor's office. Of course, as it turns out, he was out of office a couple of months later when Walker beat him. Under Thompson, maybe a couple of times I did stuff for him.

Czaplicki: We'll definitely get into that moving forward, but did Adlai Stevenson make an impression on you back in the fifties when he was governor of Illinois?

Mandeville: Yeah. I liked Adlai Stevenson. The father of the one that's still living. The first or second? I'm not sure which he was.

Czaplicki: Second.

Mandeville: The one that was governor?

Czaplicki: Right. Presidential candidate in '52.⁶

congressional investigation of organized crime. See Robert Hartley, *Paul Simon: The Political Journey of an Illinois Original* (Carbondale: Southern Illinois University Press, 2009), 12-34.

⁶ Three generations of Adlai Stevensons rose to political prominence. The first was Grover Cleveland's vice president. His grandson, Adlai Stevenson II, was governor of Illinois, Democratic candidate for president in 1952 and 1956, and UN ambassador. His great-grandson, Adlai Stevenson III, was a U.S. Senator (1970-1981) and Governor Thompson's main opponent in the 1982 and 1986 elections.

Mandeville: I liked him, but he did not know how to campaign. He was, in fact, an “egghead,” as people said he was. He was too intellectual for most of us, and people didn't understand him. He was a good man, and I think he had good ideas, but he couldn't deliver them. As we found out with Kennedy, delivery is all that matters, because Nixon [actually] won that debate on television. (laughs) But he didn't win because he didn't look right and didn't say the right things in the right way.

Czaplicki: Would you have categorized yourself as an egghead back then?

Mandeville: Egghead, no. I'm never that smart. To be an egghead, you have to be smart. In my definition of an egghead.

Czaplicki: Yet you went to graduate school.

Mandeville: I did. I got a doctorate. But I still don't consider myself in that way. In other words, my education has been primarily economics and finance, and that's been my life.

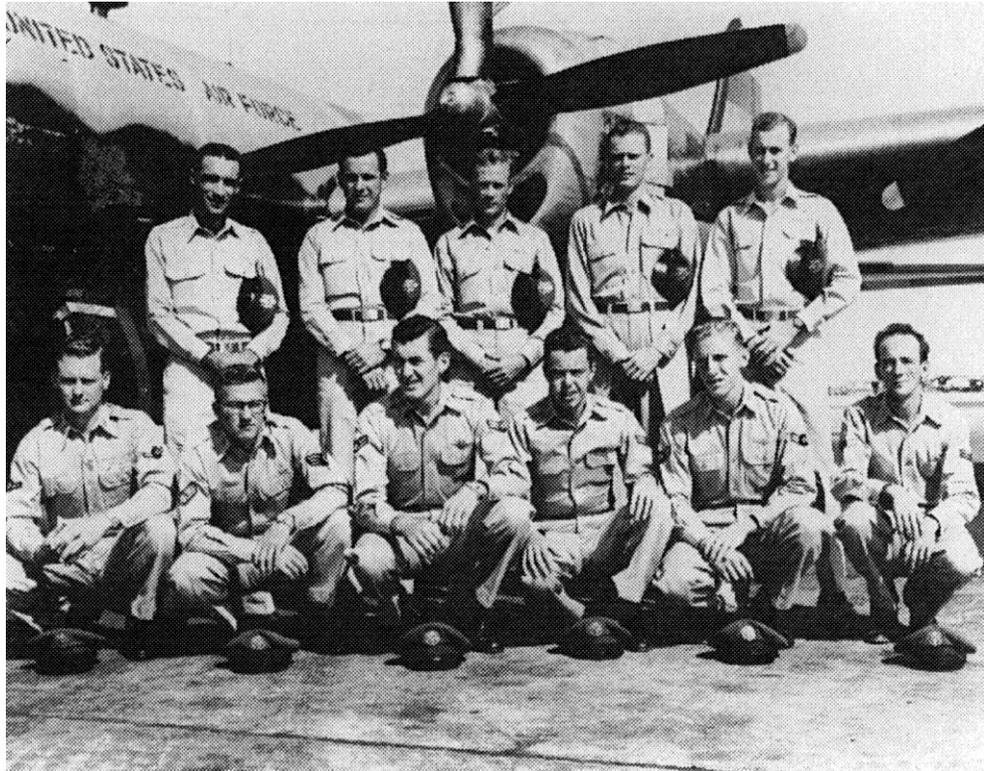
I didn't start out that way. I actually got drafted for the army in '52, and I figured, Okay, Korean War is still going on. I'm going to be walking around in Korea, or I can enlist in the air force, and if I pass everything, I can become a flying officer. So I enlisted in the air force. They sent me through psychological, physical tests and so on. The eye tests were very important—colorblindness and depth perception. I passed all of those, and I became a flying officer on a B-29. I was the radar bombardier. There were twelve men on the B-29 crew. We had a navigator, a front bombardier, a back bombardier, and five gunners. Big machine guns right next to me. I sat in the middle of the plane. I went through cadets for a year, and then graduated in May of '53.

The war was still going on. Eisenhower had said he would end the war, and he did, in August of '53. But for those few months between the time I graduated and the time of the ceasefire, they were sending B-29 crews over to Korea. I guess they believed Eisenhower's pledge, because they sent every other crew to Korea. We were all in SAC, Strategic Air Command, but half of them went to Korea and half stayed here. We happened to have an odd-numbered crew, who stayed in the States, and we were assigned to Salina, Kansas, SAC base. The even numbers went over to Korea. I'm not saying the air force was dumb, but they had B-29s flying low-level missions over North Korea. A B-29 is a big aircraft. I think it's in here somewhere. (pages turning) You can get a feel for how big it is by these guys standing. We had a pilot, copilot—that's Billy French; he was a nose cone bombardier—the navigator and a radar bombardier. And these guys kneeling were all gunners, except the flight engineer and radio operator.

Czaplicki: This is at Smoky Hill?

Mandeville: This was at Smoky Hill, yeah.

Czaplicki: We're looking at a picture of the crew in front of a plane, and Mandeville is standing on the far right.



Mandeville: Not too long after that, the tail gunner and the engineer were warming the plane up for a flight that afternoon, and a T-line broke and spewed gas. It just caught fire immediately. There was a lot of aluminum and titanium on the plane. It just all melted. I've still got the tachometer, though, that I used for regulating the radar set. Got it at home. It has B-29, and it has 1953 on it.

Czaplicki: Did you take it from the wreckage?

Mandeville: I had it on me, and I wasn't on the plane. But we were scheduled for a flight that afternoon. I'm glad this happened then, because if it happened in the air, there's no way we could have gotten out—although we all wore parachutes. In the military, you always have a parachute. But still, just happy it happened then.

Czaplicki: Just looking at this autobiography you have here, you went by a page that had an interesting photo. It was you with a young woman.

Mandeville: Oh, yeah.

Czaplicki: By a nice car.

Mandeville: This was in, probably, '52. This was a '51 Ford. I think I was still in cadets, because it doesn't look like an officer's uniform. I think it was a cadet uniform. This is my wife.

Czaplicki: That's Alma?

Mandeville: Alma. Met her sixty-one years ago. Back in the early fifties, the thing for young people to do was to go to dances at dance halls, and they would have live bands. Some of them were the Five Pennies, Nickels—different bands, although they amount to the same. You would go there, and you wouldn't necessarily bring a date. Guys would come and girls would come, and they would dance with one another. So I met her there.

Czaplicki: Where would these dance halls be? What town?

Mandeville: They were around Florissant, Missouri, and they were in St. Louis County. Florissant, Black Jack, and Gravois were the three big ones. Gravois is a main street in southwest St. Louis. Black Jack was a town by Florissant. There was another one called Red Light—not in the normal interpretation—in Ferguson. Then Cold Water Creek Hall; that's where I met Alma. That was about a mile from her home in Florissant. Actually, she lived on a farm also. Cold Water Creek Hall. That was one of the halls that all the young people went to. It's sort of like a circuit you did. On one Saturday it would be here, the next Saturday, there, and then somewhere else. So the same people would follow it all around. First date was New Year's Eve in '52. That time, we went to Gravois Hall. I left for the service in July. We got engaged in December of '52, and in June of '53, after I got out of cadets, we got married. Cadets could not get married.

Czaplicki: Do you know what the reasoning was behind that?

Mandeville: Distraction. (laughs) They wanted you to learn the radar set. You don't know anything about radars when you go in at twenty-one years old. You don't know how radars work. You have to be able to disassemble a radar set and put it back together because something may happen to the set. One of the gunners might knock it off the table or something, or bump into it. So you had parts, and you had to be able to reconstruct it if you had to. That was difficult. Of course, in those days, there weren't transistors, there were vacuum tubes, like on the computers when I first went to NASA. What I have in this right here, a smartphone, they had in a cabinet that was many, many times this size. They all had vacuum tubes. You had to wire the board to get in to the computer, then you had to type IBM cards and feed them in, and it would kick out the ones that were incorrect. It's a different world. The same concept with the radar sets. I had a Q-13. It was, I would say, an antiquated radar set. The

inherent error was 800 feet, which doesn't matter if it's an atomic bomb, but with the K-1, which replaced it, you could pick out a single oil storage tank from altitude.⁷

Czaplicki: How high would you fly?

Mandeville: On the B-29, it wouldn't go nearly as high as they do today. I would say probably eighteen to twenty, maybe twenty-one thousand feet. You try to pick up a jet stream to increase the air speed. On air speed, probably two hundred and fifty miles per hour, where the jets now fly about five, six hundred miles an hour. It was a slow aircraft, a very heavy aircraft. Took the whole runway to get off, too. But it carried a lot of bombs.

One time we were on a mission. We were flying at about two thousand feet. The pilot of our B-29, the aircraft commander, came over the intercom. I was in the middle of the plane. "Any of you guys like to fly a plane?" Two or three of us said, "Yeah, I want to fly it." So I went up there, and he sat me in the right seat. He stayed in the left seat, of course. He said, "Okay, it's yours." So I took this thing and was flying with no problem at all. Then he turned off the autopilot. (laughs) I didn't last very long. About a minute.

Czaplicki: I'm surprised he did it that low. (laughs)

Mandeville: Yeah. These guys were good. The air force pilots are excellent. Many of the pilots for the state aircraft were former air force pilots, and a lot of them go into commercial too after they get out of the air force.

Czaplicki: Did you receive any flight training, or were you tabbed to do radar from the start?

Mandeville: No. They put you in categories. Elmer became the navigator, Billy French became the nose cone bombardier, another guy became the—well, the gunners went to a different place out in Denver. I went down to Harlingen Air Force Base, in Texas, where they had the radar school. We were to use radar, and that was it. I was twenty-one. I don't know if I could have gotten into pilot training. I didn't even think that way; I just wanted to be a flying officer. In 1956, when I went to work at McDonnell for about fifty-six hundred a year, I was making seventy-five hundred in the air force. Twenty-four hundred of that was flight pay; that was about a third of my pay. So if you weren't on flight pay, you didn't make a lot of money then. But again, it was relative to what things cost.

I enjoyed the air force. After four years, the commander came to me and asked if I'd be willing to go to Mather Air Force Base in California and be the

⁷ Bell, Western Electric, and MIT developed the AN/APQ-13 in World War II. The AN/APQ-24 was known as the K-1 system. National Electronics Museum, <http://www.nationalelectronicmuseum.org/past-gallery.shtml>.

second man in a B-47, a two-man crew. I said, "No, four years is it. I'm leaving." "I'll make you a captain." "No, I'm leaving in four years." So we did. We had decided to get out after four years.

Czaplicki: When you say we, you and Alma or you and your crew?

Mandeville: Alma and I. Many of the crew were career. Billy French and Major Kransage, who was my first aircraft commander before Lieutenant Via took over, were both recalls from the Second War. The rest of us were recruits. Rookies, you'd say.

We went to survival school at Stead Air Force Base in Reno, Nevada. You started there and walked across Peavine Ridge into the valley for nine days, with about three days' food; you had to find the rest of your food. Like killing porcupines; we'd have to pull out all the quills. Billy French was not a big guy, and we had to carry a twenty-five-pound transmitter to signal back to base every night to make sure we were all still alive and weren't buried in the snow—like three feet of snow. They gave us snow shoes. None of us had ever wore snow shoes before. Once in a while, we'd topple over. In fact, I remember one time there was another crew there at the same time. We were walking up this path to where we were going to camp for that night, and we saw a guy laying in the ditch. He was like a turtle on his back. He was kind of moving his arms and legs, and he couldn't get up. We all just looked at him kind of sad and walked on. We assume his crew came back to get him, but I don't know. I'm sure somebody did.

We had a guy who was a guide with us. He was the only guy who carried a gun. We could carry knives and other weapons, but not guns. We had hatchets and knives because we had to cut down eucalyptus trees for the stakes for our teepee every night. We were pretending we had bailed out over North Korea and were trying to make it back to the friendly line. We'd build a teepee every night and wrap it with our parachute, which we saved after bailing out of the aircraft in this simulation, build a fire, and sleep there over night. Try to scrape the snow away if we could.

Dwayne Dempsey, from Chenoa, Illinois, was one of the gunners. In fact, he was the one that worked right next to me, in the middle section of the plane, with one of the machine guns. We have a crew of twelve, but you can only put three guys in a teepee, so there were four teepees. Elmer Walters, who was the navigator, Dwayne Dempsey, and I were in the same teepee. Dwayne was short, maybe five-foot-six. Elmer and I were both over six feet, so we took the long way for the sleeping bags. Dwayne was at the end, and the opening of the teepee was opposite him. Well, that night, the wind blew in and blew all the smoke onto Dempsey, so Dempsey was coughing all night. He got up the next morning and said, "Okay, I get it. You guys are officers and I'm not, and you put me down there so I'd get all the smoke." We said, "Dwayne, we didn't do

that on purpose. It's a good idea, but we didn't even think of it." So I said, "Okay, tonight, you sleep where I slept, and I'll sleep where you slept last night." Of course, the wind changed and blew the smoke at Dempsey. He got up the next morning and said, "I don't know how you did it, but I know you did it." (laughter) Dwayne was a good guy. We were good friends.

On our crew, the enlisted and the officers, there was very little distinction. If an enlisted man refused to do something that was necessary for the success of the flight, we would make him do it. But otherwise, we were all the same on our crew. That doesn't happen normally in the military, but we were up there by ourselves, twelve of us. Five are officers and seven are enlisted men, and we were just all the same. Even after the smoke incident, Dempsey will never believe this, but we were all the same in that mountain pass, climbing over Peavine Ridge to our safety spot. I weighed 175 at the time. I weighed 155 after nine days. (laughs) As I look back on it, it was interesting, but it was hard at the time. Really, what I started this with: Billy French was relatively small and thin, and he tried; he just could not carry the twenty-five-pound transmitter. So we all took turns and let him not do it. Kransage, who was older than Billy but in excellent shape—he was a major—took his turn carrying the transmitter.

Czaplicki: Did you stay in touch with those guys after you got out?

Mandeville: I did, some of them. I mainly did with Dwayne, being in Chenoa. But these guys were from all over. Neville, one of the gunners, was from Brooklyn, and another was from New Jersey. You kind of lose track, but occasionally we would find out where they were. Still got all their names and their ranks and their addresses at that time. On the internet, you can look them up now and find them. I know Dwayne died several years ago. He was roughly my age. I don't know of the other guys. I guess Kransage would be over a hundred now. I was twenty-one and he was in his forties, I'm sure, at that time. Via also.

Czaplicki: Seems like you have a lot of good memories from that time.

Mandeville: Good memories.

Czaplicki: So why did you decide to leave the service?

Mandeville: We really wanted to start a family, and I guess we could there, but... We were not military people, I guess is the way to say it. I enjoyed it. I enjoy flying. But it just wasn't for us. You move around a lot. There, I was in Texas, and I was in Kansas, and I was in England for a hundred days, and then in Puerto Rico—oh, that was an R&R. That probably doesn't count. (Czaplicki laughs) Rest and recuperation. And different places: We would take fifteen-hour flights up into Canada. We would test the ADIZ, Air Defense Identification Zone, in Minnesota to see if it really worked. We would turn off our IFF,

which is Identification Friend or Foe, as we entered Minnesota. One time when we did it, two F-89s, or whatever the fighters were then, came up right alongside of us and made signals to turn on the IFF. So we did. Otherwise we might have been shot down.

The B-29 had a rubber grommet across the leading edge of the wing. If it began to ice up, you activated that with a switch in the cockpit and the rubber thing would vibrate and break off the ice. On the B-29, the navigator sat right at the edge of the fuselage, sort of behind the pilot and right by a propeller. So when the pilot activated the rubber on the wing tip just about the time these two fighters came, all the ice flew out and hit against the fuselage. I think Elmer thought these guys were firing on us. (laughter) I think he had a fit. Anyway, it was fun.

Czaplicki: Did any of your interest in the air force come from your dad's work experience at McDonnell Douglas?

Mandeville: No.

Czaplicki: Did you ever work there yourself before you went into the air force?

Mandeville: No, I didn't. I did afterwards. Actually, I went in right after college. I got my draft notice in February of '52. If you were in your last year of your senior year, they gave you an automatic deferral until the end of the year. So I got a deferral until June or May of '52, whenever graduation was from St. Louis U. My degree was in math, and at St. Louis U, you got a minor in philosophy. I finished my senior year, but then I had to go in. If I had not enlisted in the air force, I would have been in the army for two years, automatically. But when my time came where I had to go, I went down and asked if I could enlist in the air force. They said yeah. I had a college degree then, so they would take me. I said, "Can I be a flying officer?" They said, "Yeah, if you pass all these tests." I said, "Okay, I want to try."

We went to Rantoul Air Force Base, by Champaign, which was active at that time. It was a testing center. I'd say there were about thirty of us in this room, all vying to be a pilot or a navigator or a bombardier. A captain came in, and he was our instructor. He looked like he was kind of upset. "Man," he said, "I just flew down from Cleveland. It's the worst flight I ever had. It was cloudy and there was turbulence. I actually almost got sick. Any of you guys ever have that problem?" One guy raised his hand, and he said, "Can I see you?" He took him out in the hall. We never saw him again. (laughs) It was a test to weed out the ones that were not going to make it.

Czaplicki: So when you left the air force, you went to work for McDonnell Douglas?

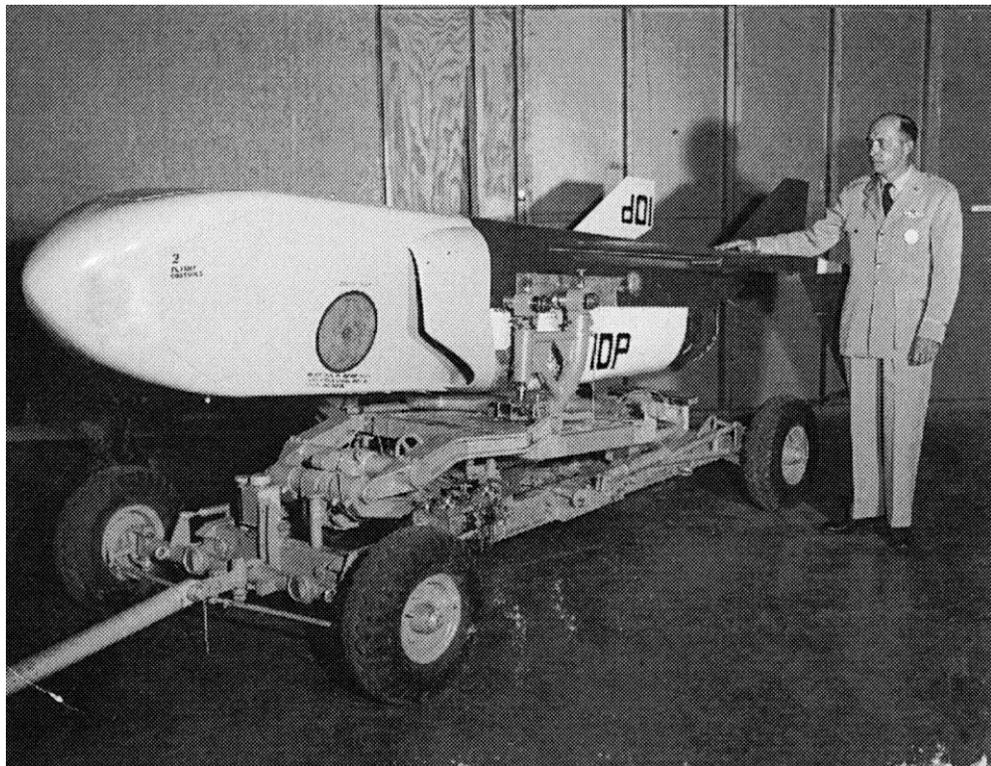
Mandeville: Yeah.

Czaplicki: How did that come about?

Mandeville: We saved up \$5,000 in the four years. Actually, three years, because the first one I was only making eighty-three dollars a month as a cadet. We went back to St. Louis County, and we got a lot and began building a house. It was a twenty-five-by-fifty-foot brick house, with a basement. It cost \$10,600 to build. When the \$5,000 was gone—we paid the contractor—we went to the savings and loan. We said, “We need another \$5,600 to complete the house.” They said, “Okay, no problem. Just tell us where you work.” I said, “I just got out of the air force. I’m not working now.” So they turned to my wife and said, “Where do you work?” She said, “I’m not working.” They said, “Come back when you’ve got a job.” I went to McDonnell, which was the closest place, and applied.

They offered me two jobs. One was in structural dynamics, where I could use my math and physics and figure out strength of wings and that kind of thing. Or as the assistant project manager on an air force contract. The one on the air force project paid a thousand more a year, so I took the administrative job, not the technical job. This is why I’m saying the technical background I have almost quickly turned into administrative every time I had a job.

I worked on a project called GAM-72. GAM stands for Guided Air Missile. Maybe the fact that I spent four years in the air force influenced them hiring



me, because I knew the air force, generally. The GAM-72 was a ten-foot missile—not a missile, a ten-foot aircraft, actually—that you put in the bomb bay of the B-52. A B-52 is a great big eight-engine plane. You could hold maybe four or five GAM-72s, plus several bombs, in the B-52 bomb bay.⁸ The GAM-72 simulated a B-52; it was built with a transmitter of heat, and whatever else the B-52 has, for a radar set on the ground to identify it. It looked just like a B-52 on radar. So when they got to the IP, the initial point for the bomb run over Russia—Russia was our target then—they would release the GAM-72s, and what the radar guy on the ground would see would be seven B-52s coming in. The chances of him hitting one decreased to one-to-seven, so the survival rate for the B-52 would have been good. I don't know if it was ever used, because we became friends with the Russians. But that's the project I was on, and then later I went to a Navy project, the Triton, which was a missile fired from a submarine.

Czaplicki: The Triton or the Trident?

Mandeville: Triton. And later on, the Talos. They were two Navy missiles. Bendix—Mishawaka, Indiana—was the prime on it, and McDonnell Douglas had a subcontract on it. I worked basically on those two missiles.

Czaplicki: A quick thing I should have asked you, what was your major in college? You said you had physics and you had—

Mandeville: Mathematics. Physics was almost a minor. I didn't have quite enough hours because when I switched from Benedict's to St. Louis University, I had to take philosophy. They required that at a Jesuit college.

Czaplicki: You transferred after...

Mandeville: I transferred after two and a half years from Benedict to St. Louis U. Later, when I was working at McDonnell, I got my MBA from St. Louis U also, and the doctorate from George Washington University when I was working for NASA.

Czaplicki: So you moved to McDonnell Douglas on the strength of that background and your air force experience. You get assigned to these—

Mandeville: Yeah. Then I went back to Homeland Savings and Loan and got the rest of our money for our house.

Czaplicki: So no GI Bill?

Mandeville: I had the Korean Bill. Same thing. It wasn't as good as the GI Bill; they would pay for tuition and books, but they wouldn't pay any money for living. When I

⁸ Mandeville provided this photo of the GAM-72 decoy missile.

was at Benedict's, a friend, Dick Sheehan, who was a World War II veteran—I was there in '48, and the veterans were just coming back to college, and they paid part of his subsistence, in addition to the tuition and books.

Czaplicki: The Korean Bill didn't have any mortgage assistance for your house?⁹

Mandeville: Not that I know of. I think they had something for disabled veterans. But if they did, I didn't know about it. Later on, though, I did hear that they had a program for remodeling or addition to homes under the Korean Bill. I was happy just to get the tuition and books, because I didn't have that much money then. (pages turning) That's our wedding picture, and my folks, and Alma's folks. That's walking down the aisle after marriage.

Czaplicki: Sacred Heart Church?

Mandeville: Yeah.

Czaplicki: Would that be in Florissant?

Mandeville: It was in Florissant, yeah. At that time, it was run by the Jesuits. Now it's the diocese. (pages turning) Oh, this is while I was in the air force. I was the adjutant. Again, I went to this squadron as a radar bombardier, a technical guy, and within a year, I was the adjutant right under the colonel who was the commander of the squadron. That's just the way my life has gone; I've always been in administration. But on this one here, we were flying into Munich on a military aircraft. Lt. Randy King and myself were going to take a week off on leave and go from Munich down through Bavaria, into Zurich, then through Lichtenstein, Austria, and back up to Munich and catch a military plane back. We were sitting in a beer garden in Munich and had a map of the southern part of Europe, and we noticed that Italy was very close, just south of Innsbruck. So we wanted to go to Italy to see the Northern Alps. I took the typewriter and I put “and Italy.” (Czaplicki laughs) Since I signed it, it was okay.

Czaplicki: That's you who did this.

Mandeville: Yeah. Colonel Schuler would not care. He was our commander. So I had no problem getting into Italy. Since Randy was on the same orders, he could get in too. This had Austria, Germany, Switzerland.

Czaplicki: Then there's a line that doesn't quite line up, and it says, “and Italy.” (laughs)

⁹ Like the original GI Bill, the Veterans' Readjustment Assistance Act of 1952 offered mortgage, unemployment insurance, and education benefits, but it reduced education benefits in two ways. It capped education benefits at thirty-six months, versus the forty-eight months World War II veterans could receive. It also stopped paying colleges directly, instead paying veterans, who were then responsible for apportioning the money across all their expenses. Department of Veterans Affairs, *VA History in Brief* (2006), 16. http://www.va.gov/opa/publications/archives/docs/history_in_brief.pdf

Mandeville: I know. I think it's in capitals too. Well, they are too.

Czaplicki: August 5, 1955.

Mandeville: We were walking around the Alps, and when we were in Munich, we bought a hat to fit in—kind of the green Alpine hat, with a feather in it. As we walked into different places, like on the train—we took a train everywhere—people would laugh as we walked in. We didn't understand why. We found out later it was a lady's hat that we had bought, instead of a man's. (laughter) Apparently, the feather is different or something. But it was fun. Randy was a good companion. (pages turning)

Okay, this is where I worked. You can't really see it too well. This is me. Alma's back there, right on the very edge. We were just looking. They had an open house at the engineering campus. This is where I worked at McDonnell. McDonnell had the Mercury and the Gemini, the one-man and the two-man, and then Martin Marietta had the Apollo design. At McDonnell, the guys who worked directly on the Mercury and the Gemini told me that this episode really happened: As you reenter the atmosphere from a space flight, you turn the spacecraft around so the heat shield is in front of you, and you've got, like, twenty seconds to push an array of buttons in the right sequence to turn that thing around. If you don't, you burn up. They told me that to test this, they had trained a chimpanzee to hit all these buttons. If he didn't make it, he got an electric shock. If he did make it, he got a banana pellet. The chimpanzee was sitting there, examining his fingernails and looking around, kicking his feet up. About five seconds to go, and they go like this, and he would always make it. So they figured if the chimpanzee can do it in five seconds, an astronaut can do it in twenty. (Czaplicki laughs) That's all the time they had to turn it around.

This was the engineering campus. Very nice place to work. It's still there. If you're ever out in Hazelwood, where it's located, it's three, long, narrow—I think it was two-level—buildings. J.S. McDonnell was the president at that time. When the F4H, which is the Phantom, the aircraft carrier landing jet, was built by McDonnell, he came over the loudspeaker and said that we just test flighted the F4H. And he said, "It surpassed all of our objectives, in terms of Mach speed, in terms of altitude, in terms of maneuverability." So he was really happy. I was working in one of these buildings at the time.

Czaplicki: Did you see the impact of Sputnik on McDonnell Douglas? Did you have a surge in orders or workers or contracts?

Mandeville: That was in '58, I think, right?

Czaplicki: Fifty-seven is when it went up, but our response was really '58.

Mandeville: Oh, yeah. The manned flight with Gagarin, was that '58?

Czaplicki: A little bit later, I think. [April 12, 1961]

Mandeville: Yeah, okay. Not really, because I wasn't working on those two projects. I was working on the air force project, the GAM-72, and the navy projects, but I wasn't working on the space projects. So I really didn't know what was going on there.

Czaplicki: Would people talk about their work? Were you supposed to keep it secret?

Mandeville: I didn't hear anything about it. I didn't even know what we were working on until later on, until this guy told me about the chimpanzee. I don't really know what was going on there. But in '61, I'd worked at McDonnell's for about five years, and myself and two other guys who were in the MBA program with me at St. Louis U started experimenting with a computer program that Lockheed had developed. It was called PERT; it stood for Program Evaluation and Review Technique. The idea was to feed into this computer program your resources in money, your resources in people, and the time and material it took. The program then would identify the critical path; that is, where you had to apply your resources to maximize cost and time. Not maximize in that sense, but to get the best benefit out of cost and time.

Czaplicki: Those were the two standards, time and cost?

Mandeville: We fed in people and material and time. We got very proficient in that. Of course, it was the old IBM cards you had to type in, but it was still a computer program. NASA was beginning to require the PERT program in all their projects, especially the new ones. Martin Marietta was one of three finalists for the production of the Apollo. They also had a plant in Denver that built the Saturn, which was a booster for the Apollo. They were looking for people who knew the PERT system. I don't know how they got our names; maybe Lockheed told them. I was making about \$6,100, something like that, maybe \$6,600. They offered me and Greg \$11,700, which was a huge increase. The third guy was not asked to join them for some reason, but Greg and I accepted the offer from Martin.

Czaplicki: What was Greg's last name?

Mandeville: Haugen. I think he was from St. Louis too. We moved to Baltimore then. It was actually located in a place called Middle River, which is a suburb of Baltimore. It was called Glenn L. Martin Company at that time. They merged with Marietta out of Georgia, and they became Martin Marietta. We went into an advanced design group—there were only about twelve of us—for the Apollo. The idea was to present a report to NASA, along with two other

companies, GE of King of Prussia, Pennsylvania, and Convair out of Fort Worth, Texas. We were the three finalists. Each of us had a \$600,000 phase one contract. We submitted one report to NASA and assumed they would pick the winner from the final three.

My job was to develop the PERT project and help them identify cost and when they would land on the moon. My PERT project said we would land on the moon in December of 1968. NASA actually landed there in July of '69. The reason was the guy from Hyannis Port. In October of '61, Kennedy was considering reelection, and southern California was in recession, which most of the country was in '61. He awarded the contract to North American, in Downey, California. They were not one of the three finalists. But he was president, so he made that decision. The three of us companies, lost out after going through a phase one.

A little aside here. The guy who headed the Apollo advanced design program at Martin was a guy by the name of Buz Hello. He got a call from North American with a standing offer for any of the people in the advanced design group to come out there and work, because they needed people who knew something about Apollo and about the timing and resources and so on. He is reported to have said, "Go to hell," and hung up the phone. I don't know if that's true or not, but knowing about Buz Hello, it probably was.

So we were out of a job, but NASA also needed people who knew Apollo to help them watch the program. They made a standing offer to Greg and me—and maybe to other members of the group, I'm not sure—to come to NASA to work. I decided to go to space applications and space science. I liked that better. Greg decided to go to manned flight. He was located in downtown Washington, and I was located in Greenbelt, Maryland, where Goddard Space Flight Center is located.

Czaplicki: These are different units, or programs, within NASA?

Mandeville: NASA had four major sections. Manned space was one and space applications and space science were together as another. There were four branches. One was the—how would I call it? Where you're on land and you track the satellite?

Czaplicki: Telemetry?

Mandeville: Yeah, it could be, I guess, but it had a name. I can't remember. But it was one major section. We had people located in the north part of Australia and throughout the world, and they would track the satellites as they flew over. The original satellites were mainly equatorial orbiting satellites. The relay was one of the first communication satellites developed by NASA. The relay would fly over the earth, but as soon as it went over the horizon, it would

disappear. So you'd only have a few hours of real time, and the rest was all program. The relay was developed in the early-to-mid sixties. It was a prototype of COMSAT and telecommunication satellites they have now.

The first communication satellite was actually a big balloon, and you bounced radar signals off and it came back down. The second was the relay, which was orbiting the earth equatorially. Then the next was the synchronous satellite—Syncom, we called it. It was a prototype. They would put the satellite up high enough over the earth so they could put it in synchronous orbit; it was always over the same area on the earth. Three of them would cover most of the earth. The weather satellite, Nimbus, was polar orbiting for some reason.

I was head of the finance and review group within space applications. I was also program review, so my job was to go out to the experimenters throughout the country who were building these devices. The spin-scan camera was built by Dr. Verner Suomi, a Finn from University of Wisconsin. The technology is still used today on TV, where you see the weather pattern going. I went out to Wisconsin and I talked to Dr. Suomi. I said, “Dr. Suomi, in reviewing your program I noticed that you're behind schedule. We have a flight coming up. What are you going to do about it?” He said, “I'll put it on the next flight.” (laughs) We couldn't do anything; he's the only guy that had the technology. I said, “Oh, okay.” I went back and told my boss, “He ain't going to be ready in time. You better find another experiment.” But we had the OGO, which was an Orbiting Geophysical Observatory. It's now the one that goes from planet to planet; it was an early version of that. I never saw anything of a telescope, though, like they have now. I don't think we had any of those at that time. But that's where I ended up in NASA. I was there for about seven years.

Czaplicki: So you went there in '61?

Mandeville: Early '62. I was at Martin Marietta for about a year. Kennedy gave the project to somebody else. We stayed on for about three or four months after that, doing other stuff. I think we could have stayed there somewhere else, but—

Czaplicki: And then someone from NASA got in touch with you?

Mandeville: Yeah. They got in touch with us before, and very early in '62, I went there, to Goddard Space Flight Center in Greenbelt, Maryland.

Czaplicki: How long were you there?

Mandeville: There for about five years, and then I went to headquarters in downtown. That's when I was working as space applications. Goddard was a scientific—I guess they were all scientific in a way, but they had their weather satellites, their communication satellites, the orbiting geophysical-type satellites. In '65, I moved to NASA headquarters for the last two and a half years.

I really liked it. It was during the sixties, from '62 to '69, and it was the ideal time to be there, because after Kennedy was killed, Johnson became president. He had a friend called Jim Webb, who was an oil man, probably in conjunction with Johnson. I'm not sure of that. But a close friend of Johnson, and Johnson made him the head of NASA. So anything NASA wanted, they got. We had triple contingencies built into every spacecraft that we sent up. Normally it's only duplicate: if one fails, the other one takes over, and if it fails, you lose the satellite.

When I did my dissertation, I was going to use the decision-making process in NASA. My hypothesis was that the self-perceived influence NASA managers felt they had over a project was inverse to their organizational placing. The higher up they were, the less influence they felt they had over the project. The guy who had the most influence was the industry contractor. The second was the field program manager. The third was the program manager at headquarters. That was my hypothesis. It was contrary to what you might think of in an organization. I used the questionnaire as my technique, and I figured most of the program managers would throw it away. So I asked Jim Webb to endorse the letter for me. I got 80 percent returned. (laughs) I probably would have got 30 percent without it.

Czaplicki: How many levels removed were you from Webb? Did you directly report to him?

Mandeville: No, I was far down, several levels. Tepper was my immediate boss, and he reported to Jaffe. Jaffe, I think, reported to Webb.¹⁰ I had the highest GS rating, GS-15, before the political appointees, who were GS-16 and up. When I left NASA, I was the youngest GS-15 in that area, and when I came to Illinois to work in the bureau under McCarter, I was the oldest. (laughs) I was thirty-seven years old. All the guys in the bureau under Ogilvie were young guys.

Czaplicki: It's interesting that you got Webb to sign your—

Mandeville: Absolutely. Without him, I would maybe not have had a sufficient number of responses to make it valid. In sampling, you need at least a certain number of samples.

Czaplicki: Was he normally that accessible?

Mandeville: Not really. I didn't see him personally, but I sent it up through the channels, and he endorsed it.

¹⁰ Leonard Jaffe headed space applications. Morris Tepper was an air force veteran of World War II and directed meteorological systems in the office of space science and applications. NASA History Division, Biographies of Aerospace Officials and Policymakers—E-J and T-Z, <http://www.history.nasa.gov/biose-j.html>.

To prove my hypothesis, you have to use statistics, and there has to be a real difference in the perceived influence for it to be a valid conclusion. So I had to know statistics, and a section of it called analysis of variance, to see if the variation meant nothing or if it was statistically significant. I went to the statistics professor at George Washington University, where I was going for my doctorate, and I said, "Can you tell me the generalized equation for the analysis of variance?" He said, "No. But you can take my class." He made me take the class, which I'm glad I did, because in those days, and maybe still, you have an oral defense of your dissertation.

Harold Green studied with me, and we would go into oral hearings. Anybody could come in. We would listen to how the guy did so we'd get some idea of what kind of questions they would have. This one guy had hired a subcontractor to do his statistical analysis, and they reversed one of the terms in a parentheses. That made his conclusion exactly opposite of what he was saying to this group. The guy from statistics was always there. He said, "Well, sir, I think you have that backwards." In those days, the wife and his kids could come to the oral defense. Anybody could. So the statistics director ended up telling him, "The whole thing is wrong, because you let somebody reverse the B and the A in the parentheses, and that makes your conclusion wrong." His wife started crying, and the kids were crying. After that, wives couldn't come anymore. (laughs) Or kids. This guy had a job offer at Western Kentucky University. He was going to go there in less than a few months. At George Washington, you had to wait one whole year before you took the oral again. You couldn't just take it the next day. So I'm sure he went back and did his own statistics the next time. But when we took it, there wasn't any family there, only faculty from the university. Family wasn't allowed.

We went to another one. The guy was writing something about the Internal Revenue System in his dissertation, and a guy named Sheldon Cohen was head of the Internal Revenue Service at the time. This guy didn't know it, but Cohen was sitting there at the table. The candidate said, "Now, this book written by Mr. Cohen says that this is true." Cohen said, "No, sir, that's not what I said at all." (laughter) So you had to be careful you knew what you were doing. Green and I really got prepared before we went in for our oral defense. I had no problem, because I had learned what I had to do statistically to make sure my conclusion was right, and it met the analysis variance threshold for being relevant. My hypothesis was proven: the higher they were, the less they felt they had influence on the project. You wouldn't find that in industry, probably, but...

Czaplicki: Did you make any attempt to measure the reality outside of their perception?

Mandeville: No. (laughs)

Czaplicki: I'm wondering if they're right. Was their perception accurate?

Mandeville: Actually, this is in May of '69 when I defended. In August of '69, we left Washington, DC, and moved back to Illinois. So I wouldn't have had time, plus I wouldn't have done it.

Czaplicki: I do want to talk a little bit about GWU, but before that, just a little bit more about NASA because it's really fascinating.

Mandeville: Yeah, it is.

Czaplicki: Just personally, and I think historically. You traveled to look in on some of these projects. Did you ever attend a rocket launch? Did you go down to Cape Canaveral?

Mandeville: I've been to Cape Canaveral, but not during a launch. I would say that in NASA, at Goddard Space Flight Center, I met some of the nicest people and some of the strangest, and they were the same person. I won't give a name, because it's not positive, I suppose. This one guy who was head of the telecommunications project at Goddard had an office not much bigger than this office, not big.

Czaplicki: Twelve by ten feet, maybe.

Mandeville: Maybe. Sort of like a prison. It was a little bigger. You walked in his door and you couldn't see him. I would say, "Are you there?" And no answer at first. Then you'd walk around and he was there at his desk. But he had scientific books piled up so high, you couldn't see him. He was behind the books. That was characteristic of the ones who were really the smart guys, who did all of the scientific discovery and progression across time. The guy who headed the OGO was a guy that, if you saw him, you'd never believe he was a scientist. He just didn't fit my perception of a scientist. I don't know what scientists look like, but...

Czaplicki: Where is headquarters?

Mandeville: Downtown Washington, Fourth and C. Independence and Fourth, I guess. I think between Third and Fourth.¹¹ I was there in '68 when Martin Luther King was killed. From headquarters, we could see north up to F Street. F Street was the one where they burned many of the buildings. You could see the fire. We went out there the next day and looked at it. What they did is very interesting.

¹¹ NASA headquarters had several locations moving to its present day home in Washington at 300 E Street, NW. During Mandeville's tenure, NASA's divisions were divided in a complex of buildings bounded by Independence Avenue and 4th, 7th, and C Streets. Elizabeth Suckow, NASA History Division, "Hidden Headquarters" (March 24, 2009), http://hqoperations.hq.nasa.gov/docs/Hidden_Headquarters_March_24_2009.pdf.

If you drive down F Street, you'd see one business completely untouched. The next four were burned to the ground. The next one was untouched. The ones that were untouched were like the Korean grocery store, and maybe some other store where the people went to. The ones that were burned were the finance-lending buildings, the automobile dealerships. It was really interesting. They knew exactly what they were doing.

Czaplicki: Call it a mob, but there is a logic.

Mandeville: Right, there's a logic. They burned a good part of that street, but they left the ones that were friends of theirs.

Czaplicki: You're saying "F" Street, as in "Frank"? Not "Sam"?

Mandeville: "F" as in "Frank." We were on C, so D, E, F. About three blocks up, almost directly north of us. We were almost on the mall, and this one was just north of the mall. Interesting days.

Czaplicki: What was the culture like at NASA? Were there internal rivalries?

Mandeville: There were probably some.

Czaplicki: Were there different theories of management you ran up against?

Mandeville: Tepper and Jaffe were friends, but they had different jobs, so there wasn't really competition. I don't recall any competition. Most of the programs had a person who was program manager at the headquarters level, and a person who was the head of the program at the space center level. Then the industry guy—there was one there too. So there were three people who had degrees of control over each program. Each had their own fiefdom, and others didn't attack, because they had theirs. The people I worked with at Goddard were really enjoyable. Good group of people. They were mostly scientists or administrative-type people. They had the normal clerical people. No conflict that I saw. At headquarters, the same way. I didn't see any obvious conflict.

Czaplicki: When you say industry guy, is that a NASA employee who was posted at the company, or is that a company official who's posted at NASA?

Mandeville: Neither. He's a company guy posted at the company. So it would be the McDonnell Mercury project at McDonnell.

Czaplicki: They have a project manager.

Mandeville: Yeah. Then they had a project manager, probably at Houston, and a program manager at headquarters. I don't know too much about the manned flight program. They may have had more than one. On space applications projects,

one guy was the key guy you went to, at the industry and at the field center, and at headquarters.

Czaplicki: Was there anyone at NASA that was particularly influential on your own thinking about management or budgeting?

Mandeville: Not in those areas, because I knew more than they did with my MBA and working on my doctorate. My whole background was finance and management. I was already through all the coursework for my doctorate at GW before I went to headquarters. I had economics, controllership, managerial accounting, finance, and personnel management. Economics was the main one.

Czaplicki: So you would have entered that program when you went to work for Martin? Is that right?

Mandeville: No, when I went to work for NASA. In early '62, I went to NASA. That's when I began my coursework. It took me three years to get the coursework, and then... (pages turning) That's me with...

Czaplicki: (laughs) A pipe, huh?

Mandeville: A pipe. It was funny, but back in those days, you could smoke cigars and pipes, cigarettes, inside.

Czaplicki: Where is this room? What are we looking at?

Mandeville: This is the ground control portion of NASA. It's just one of the briefing rooms in Washington.

Czaplicki: Is this on C Street, or is this at Goddard?

Mandeville: This is at headquarters in '68, on C. I went down there in '66. We all had sideburns, which was sort of the look at that time. I had my oral defense in April of '69.

Czaplicki: Wednesday, April 16, 1969: the final examination.

Mandeville: Yeah. If you passed that, you got your degree. It's just paperwork after that; all the committee signs off on it and so on. But I finished my coursework in '65.

Czaplicki: Why GWU? GWU had something of a reputation for being a pipeline into the federal service. Was that what you were eyeing at that time?

Mandeville: No, I was already in the federal service; GW had the program I wanted.

Czaplicki: What was that?

Mandeville: A doctorate in business administration with emphasis on economics and finance.

Czaplicki: PhD and DBA are equivalent degrees. I'm curious why the DBA appealed to you more than the PhD. Is it just different letters, or is there a significant difference between those?

Mandeville: Maybe language was the only thing. You had to do a dissertation, and they had to file it in Michigan, where they keep all the dissertations.¹² GW was known as a business college in Washington. They were government too, and many of the professors were government managers who came to GW. I guess they wanted, maybe, to stress the business aspect of the degree.

Czaplicki: Who was on your committee for your dissertation? There's a couple names I'm aware of, but I don't know if you—

Mandeville: From there?

Czaplicki: Did you work with Selma Mushkin?

Mandeville: No.

Czaplicki: Or Harry Hatry?

Mandeville: No. I've got it at home. I could bring my dissertation.

Czaplicki: We could look into it later if you can't remember.

Mandeville: They can have influence on what you write about. My committee gave me a guy—I think his last name was Brown—who was an economist, and they wanted me to do a biographical dissertation on him. I did maybe sixty pages and six months of research on Brown. I said, “This is not what I want to do.” So I went back to them and said, “I'm not going to do this. This is not my thing at all. I want to do something on decision making.”

Czaplicki: Do you recall why they were thinking about the biography?

Mandeville: I have no idea. (laughs) Somebody wanted to know more about it, I guess. I'm sure it was already in the encyclopedia. It was probably already available

¹² Mandeville is referencing ProQuest, an Ann Arbor-based company that began as University Microfilms International (UMI) and publishes the majority of PhD dissertations. Robert L. Mandeville, “A Comparative Study of Self-Perceived Decision Process Influence Exerted by NASA Program Managers, NASA Project Managers, and Industry Managers on NASA-Funded Projects” (PhD diss., George Washington University, 1969).

somewhere, but they wanted me to do this. They said, "What do you mean, decision making?" I said, "I've got a theory, a hypothesis, that is contrary to what you might think." So I presented it. Has a real long title in the dissertation. They said, "Oh, yeah, that sounds interesting," so they signed off on that topic as opposed to the biographical graph of this economist or finance guy.

Czaplicki: I don't know very much about budget theory. That's one of the things we'll hopefully talk a little bit about. But I was asking about them because I know at the time, GWU had something called the State and Local Finances Project, which was headed by Selma Mushkin, who had been a pretty famous economist.

Mandeville: In the sixties?

Czaplicki: Mm-hmm. Her deputy director was Harry Hatry, and it was funded by the Ford Foundation. It was supposed to be an incubator and a clearing house for the movement for planning and programming budget systems (PPB). This was the big thing.

Mandeville: I'm aware of that.

Czaplicki: So I was wondering if that had drawn you to GWU, if you had a chance to be involved with that project.

Mandeville: No. I didn't have budgeting until I moved to Illinois. My background was finance and management. Up until that time, I was a manager of a branch or division, and a finance guy. In the air force, for example, I became the squadron adjutant, which is an administrative job. It has little to do with finance, but it has a lot to do with management of the personnel and the squadron, especially the enlisted guys. Except the first sergeant. You couldn't control him; he was higher than an officer. (laughs) The six stripes. Sergeant Bice. I still remember him. Good guy.

I really wasn't looking for budgeting when I went to GW. I was looking for business, and specifically I was looking for a higher level of understanding in managerial accounting, in personnel management, in controllership, in economics, and of course, finance. You had to pick five fields, so those were the five that I picked. None of them were budgeting. Local government, I didn't even think about. Or state government. It just wasn't on my horizon.

Czaplicki: That concept, PPB, was interesting, because it was something that emerged out of the Defense Department. Then in '65, LBJ orders all of his agencies, including NASA, to implement these principles as well, so I thought that might be something that—

Mandeville: Well, I've had experience with PPB, and normally it has not been good. It's not always realistic. I'm very pragmatic. I have to see the results and not something that might be true twenty years from now.

Czaplicki: What was it supposed to do? Why was that such a popular idea at this time?

Mandeville: Somebody had the authority to make it that. In the bureau, we had the budget shop, then we had a planning group. Planning group never produced anything. They produced plans, but they were not realistic to use in the real world. So they were like an ivory tower, and that's the way I would view the GW effort.

Czaplicki: It's just interesting, because I think the average person on the street thinks of budgets as a plan. So if you say there's a budget group and a planning group, the distinction isn't always clear.

Mandeville: It is a plan, but it's not only a plan. Budgeting is negotiation. I would say negotiation more than a plan. If you're an agency director and I solicit a request from you for what you need to run your program next year, you send me the request. And after I stop laughing, I tell you, "This is impossible. You can't get that much. Now tell me what you really need, and don't take out any gold watches." In other words, don't take out the programs that you know everybody is for; you've got to give me real numbers. So you sit down, you negotiate.

My strength, if I had one, as budget director was that I would know the program better than the director. I would study it. I'd have analysts. I hired mainly people who had masters and who were sharp, whether they had masters—one of the sharpest guys I ever knew was Hal Hovey, who I don't think had college. My philosophy was, if you're my employee and you've got to analyze the personal services request from Mental Health, which was one of the bigger agencies, and you've got to do it by December eighteenth, I don't care if you ever come in to work, as long as you get it done by the eighteenth. If you don't, you're fired. The guys responded to that. These were all professionals. So they would come in at ten o'clock in the morning, and I wouldn't say anything about it. They'd work till ten that night because they had to meet a deadline. That worked very well for me.

The bureau in Illinois is not under any civil service commission or organization. I can hire and fire whomever I want. I wouldn't do that; there would have to be a reason. The only guy who would tell me I couldn't do that was the governor—I worked directly for the governor—and he wouldn't, because I served him and I was doing okay, so he was happy with it. As it turned out, I would have been director if Michael Howlett had won. He was Thompson's opponent in the '76 race. I got some news clippings in here that say he was going to ask me to be director.

Czaplicki: But then how does planning differ from the budget? What aren't they doing that budget people are doing?

Mandeville: Let's say the city of Springfield has the 2020 plan. By 2020, this is what Springfield is going to look like. It's an end, but not the means to get there. Budgeting is the means to get there. So the planning group that I had experience with was planning for 2020. In those days, it would have been 1980 or whatever, but for twenty years, fifteen years, ten years into the future.

Czaplicki: Outcomes, but no resources; no inputs, just outputs. Would it be—

Mandeville: It was a wish or a hope of what things should be like in the future, but in my opinion, there was no footing there that you could say, "That's possible." It gets possible if you put in unlimited resources, perhaps, but that's not realistic. You don't live in that world, and there are limits. Budgeting requires you to live within a limit. Well, that's true at the state level, not the federal level. (laughs) They just print more money and weaken the dollar. At the state level, we cannot run a cash deficit.

I've got to say, every administration blames the prior administration for anything that's wrong. We said Walker did not leave enough money in the general fund, so we had to present a very austere budget for 1978 in the spring of '77. Edgar said that Thompson left a billion-dollar hole.¹³ There is no billion-dollar hole until it happens. There is no deficit. The state can't run a deficit. Or at least you have to define deficit. And if you define deficit, then you can come to agreement on whether or not there is one. But there's not a cash deficit. The comptroller can't issue a check if there's no cash. But the bills pile up. So do you count the bills as a deficit, or do you count an accrual—we've ordered it, it hasn't come yet, but we're obligated to pay it—do you count the accrual method? You have to define what you're talking about in a deficit.

Generally, there is not a deficit. There can be a deficit in terms of this year's cash balance or accrual balance, either one, being less than last year's. That's a decrease in the available funds for the upcoming year, but it's not necessarily a deficit. You have to look at that, plus your revenue for the new year. Now, you can say that with the revenue for a new year growing at 3 percent, we're going to have a billion-dollar deficit. But revenue didn't grow at 3 percent in those days, it grew at 5 percent. So there's no deficit.

But they have to say something so they can solve it. If they don't say there's a

¹³ For example, see John Elmer, "Walker Aide Charges Ogilvie Deal on Budget," *Chicago Tribune*, March 3, 1973. For the Edgar administration's viewpoint, see Jim Edgar, interview by Mark DePue, November 17, 2009, Volume III: 552-554; Joan Walters, interview by Mark DePue, July 29, 2009, 66-68. Unless otherwise indicated, all interviews cited in the notes were conducted as part of the Illinois Statecraft Oral History Project, Abraham Lincoln Presidential Library, Springfield, IL.

problem, why are they there? And we did the same thing. I'm sure that Blagojevich had the same idea. The only guy that probably didn't say that when he became governor was George Ryan. He didn't, to my knowledge, criticize Edgar. Edgar ended his term with a very healthy balance. I was chairman of Ryan's budget transition committee when he took office.

Czaplicki: Steve Schnorf was his director?

Mandeville: Schnorf was his director, yeah.

Czaplicki: Did Walker, when he came in, critique what was left by Ogilvie? I think that revenue was pretty stable at that point.

Mandeville: He did, in a subtle way. Ogilvie was experienced in management and in government, being the head of the Cook County Board of Commissioners. Walker was a high-level lawyer for Marcor, the parent company of Montgomery Ward. He knew very little about government. Walker came in, and he had this thing about people knowing what he was doing before he had a chance to present it to the press. Victor de Grazia, who was his political guy, and probably Bill Rosenberg were telling him, "Governor, you've got to take the first shot. You've got to have your say before you give it to anybody else."¹⁴ Norton Kay, who was his PR guy, told him, and I told him, "Don't do that to the media or you'll be crucified." I said, "That's a mistake. Give it to the press with an embargo notice." In other words, say they cannot use it until X date, and the press has always honored that, to my knowledge and the experience I've had. "No, I don't want to do it. There will be a leak."

I think he was probably paranoid. The only guy in the bureau that he trusted was me. Every night, I would go over to the mansion and brief him on the budget, and we'd reach decisions on the agencies. I would come back to the bureau and brief the guys at the bureau. So it made for many late nights because we had to do it twice. That's the way he operated. But he backed me on every one. I would say, "Director so-and-so says he needs an extra ten million, but he doesn't, compared to others." I always left open an appeal process. If we didn't agree, we took it to the governor, if he wanted to go to the governor. It was up to the program manager.

One wanted to go to the governor. I'll call him Frank; I don't know who it was. He was sitting there, I was there, and the governor was there, and the governor was saying, "Frank, you've got to work with me. We don't have that much money. We owe the motor fuel tax fund sixty million dollars"—which

¹⁴ Bill Rosenberg was Walker's research director and headed one of his transition task forces. Victor de Grazia was Walker's campaign manager and deputy to the governor. Victor de Grazia, interview by Marilyn Huff Immel, 1981, Illinois Statecraft Oral History Program, Norris L. Brookens Library, University of Illinois Springfield, Springfield, IL, especially pages 32-35 and his remarks about comptroller George Lindberg and Mandeville at 74. <http://www.uis.edu/archives/memoirs/DEGRAZIA.pdf>

was a lot of money in 1973; that was the Walker thing against Ogilvie—“and I just can't give you this. You've got to work with me.” So the director relented and said okay. Walker was very good. He was very, very smart. But he was not so smart politically because he took on the mayor. He thought he was the top Democrat, and it's not true. It's the mayor of Chicago. (laughs) And then, it was old Richard Daley, before he died. I think it was still the old Richard Daley in '73.

Czaplicki: Yeah, Daley was still around.

Mandeville: The old Daley?

Czaplicki: Richard M. is the son. Richard J. is the father; he didn't die until '76.

Mandeville: Oh, was it that late? Then he was still there. But either one, it wouldn't have mattered; he would still be the top Democrat. John Cullerton was still in the House before he was a senator. He would come in and imitate the old Mayor Daley with that voice. (laughs) It sounded just like Mayor Daley, and everybody would laugh in the General Assembly.

Those were good days. Those were days where you could walk in and negotiate. Thompson could walk in to Howie Carroll, head of the appropriations in the Senate, and talk and reach a compromise. There wasn't this friction that I sense now between the General Assembly and the governor. I think Ogilvie got an income tax through when nobody thought it was possible. Thompson got two or three taxes through. Edgar continued, made it permanent. It was stuff they had to do. People won't understand that, but they had to do it, or services would go down. There's no other way you can do it.

Czaplicki: We'll definitely get into that stuff. I guess let's get you in Illinois, then.

Mandeville: Just one last thing on that. I was standing in the Nimbus program manager's office, talking with him about the project. We had a ticker tape. At 1:05 on November 22, 1963, it came over that Kennedy had died. I know exactly where I was. I can even picture the ticker tape. So that's where I was when he was killed. Of course, all work stopped. In fact, I went home, and many people did. Okay, that's NASA. What's next?

Czaplicki: I said we're going to Illinois, but let's go back to one last thing. You mentioned the riots in Washington after Martin Luther King got killed. I'm just thinking about your perception of some of those major events of the sixties. Earlier, you had mentioned you'd started out a Democrat, but later on you shifted Republican. You thought liberals went too far. Would this be the era where you were thinking that?

Mandeville: ERA was one. More so the way they approached it than the sense behind it. I was for equal rights for women, but not necessarily that way. Then the abortion issue just turned me off completely.¹⁵ Once the Democrats' platform included what I would call pro-abortion—I'm a strong pro-life person, so I couldn't stay with the party.

It's like a few years ago, with a guy I know that worked for the Senate. I won't mention names because he's still there. He was an Episcopalian deacon, one step from being a priest in the Episcopalian religion. The Episcopalians came out saying that gay women could be bishops.¹⁶ He said he had spent many years telling his children that homosexuality—practicing homosexuality—is not right. So he said he couldn't stay there. He became a Catholic. Not a priest, though he could have become a priest. You can be married in the Episcopalian Church, especially if you're a priest already, and come to the Catholic Church and stay married and become a Catholic priest. So he became a Catholic. In fact, I was his sponsor on what they call RCIA, the rite of initiation in the Catholic faith. Really good guy. He would have been good in either religion, but he just didn't want to go on to be an Episcopalian priest.

Czaplicki: Can anybody sponsor someone? Just have to be a Catholic?

Mandeville: You have to be a Catholic in good standing. (laughs) Like, coming to church and putting your envelopes in the basket. I would guess you had to do that. They want someone who would relate to the religion. This guy and his wife both became Catholic, and my wife and I—she was a sponsor for the wife—were very friendly with them. We met them and we liked them. In the meetings, he knew more about biblical quotes than either of us, by far. He could have taught the course. We had a nun teaching it, a Dominican, but he could have taught. He really knew his religion, and he was one step from being a priest. The Episcopalian, in terms of priesthood and the mass, is almost identical to the Catholics. One difference is they have a king, we have a pope.

Czaplicki: So in terms of your views—ERA, abortion. Was there anything else?

Mandeville: Basically those two.

Czaplicki: How did you feel about the Great Society, what LBJ was up to? Or Vietnam?

Mandeville: Vietnam was a mistake, in my mind. Clearly. Korea was a mistake. We had treaties with Korea—I don't know if we had treaties with Vietnam—that we would go to their defense if they were attacked, so we probably had to fulfill

¹⁵ [Placeholder for ERA Amendment in *Handbook*] Also see the Illinois Statecraft series, ERA Fight in Illinois, <http://www2.illinois.gov/alplm/library/collections/oralhistory/illinoisstatecraft/era/Pages/default.aspx>.

¹⁶ The Episcopal Church approved the election of Rev. Mary Glasspool in 2010. She was the second openly gay bishop, after V. Gene Robinson's election in 2003. *New York Times*, March 17, 2010.

that. But we didn't fight either of those wars to win, and that was the problem in my mind. If you're going to fight the war, fight it to win. If you're not going to fight to win, don't fight it, because you're going to lose. In the end, we lost both of them. The land, the thirty-eighth parallel, that was there before the war; that's what it was after the war. Nothing changed, except bad feelings, which were there anyway. And same in Vietnam, except we lost all of South Vietnam, and a lot of men killed.

I believe we should help the poor and the mentally ill, but I don't think “we” should be government. I think “we” should be you and I. If we don't do it, it won't get done. Washington can't do it, because eventually they topple the republic. If you have a situation where over 50 percent of the people are receivers, and not earners, I believe they will vote their pocketbook. They will vote for the candidate who will continue to give them what they need—what they want, also.

Czaplicki: How would you define receiver? Because government offers lots of programs. Is it any program, or is it specific types?

Mandeville: I would say receiving without any effort on the part of the person. If you receive a Pell Grant, or whatever they call them now, for college, then you have to go to college. If you don't get passing grades, you lose your Pell Grant. If you receive Medicaid, you can only use it to improve your health or prevent something worse from happening. You use it that way and you get well—or you don't get well, you die. But you use it for medical purposes. The thing that really bothers me is generation after generation of welfare recipients, whether it's Medicaid or income maintenance, income subsistence, because I don't see an end to it. It's a way of life. I don't see how it could ever turn out well.

I tutor high school drop-outs in mathematics, so they can get their GED. That's the one topic they can't pass, normally. They can pass English and the essay, and even science, but they have trouble in math. So I teach them math out on East Cook by the Channel 20 building. That is a very small thing. We could use a hundred of me. There's that need on the east side of Springfield, but there aren't that many volunteers. My reward is when the student says, “Oh, I get it. I understand what you're saying.” It may take four sessions or ten, I don't know. But that's enough for me to do it. Thirty-eight have passed their GED since I began tutoring about four or five years ago.

My wife tutors also, but she tutors adults who have had accidents and lost their memory or their understanding of how to talk or read, or drug addicts that may have had their brains fried by the drugs. They have to relearn everything. Both of her clients recently have had high school degrees, but they can't read or write. One is reading at a third-grade level. The first one aspired to be a chef. He's now a chef because of the time—probably two or three

years—she spent with him. He couldn't make change for a dollar, that kind of thing. And the ones I teach, I say, "Okay, nine and thirteen: what's the difference? Subtract nine from thirteen." "Let's see. Thirteen, twelve, eleven, ten, nine—four." They count on their fingers. But give them the cell phone, they know it. They know how to use electronic devices, and most of them do have a cell phone. In fact, they use it during class, which is not allowed.

Czaplicki: Universal frustration.

Mandeville: What I'm saying is that individuals have to step up and help where they can, where their talent allows them to do it or their resources allow them to do it, and get government out of this as much as you can. It's probably a pipe dream. I don't really think it's going to happen, and we're moving toward a—you've heard about the various phases of a democracy? We may be in the third or fourth phase. There are six of them or something like that. But when people tell me that, I say this is not a democracy; this is a republic, where the states have rights, and theoretically, the feds only have the rights that the states don't have under the Constitution. But it's run like a democracy. Anyway, I'm getting off the subject here.

Czaplicki: No, it's very much on subject. It's interesting. It's one of our fundamental debates that we have, decade after decade.

Mandeville: It is, yeah. I debate people on this sometimes. For instance, in get-togethers. I tell them, "We're not going to solve poverty. Even the Bible says the poor will always be here." I believe that. Until I'm willing to give one of my two cars to you because you don't have a car. If I'm willing to do that, and others are willing to do that, we can solve poverty. But we won't do it. We want two cars. Because my wife and I both drive.

Czaplicki: So it's not the place of government to enforce that sort of transfer?

Mandeville: Nope. I hope not. No, it isn't. No, it isn't at all. Government shouldn't be in the business as much as they are. We can get into Obamacare and spend two days on it. The government should not be allowed to tell us what insurance we have to get and what we need. It shouldn't require you to pay more to help me. If they want to help the poor, pass an income tax increase, but they won't do that. Give it to the poor. Don't take from the rich to give to the poor. I know Robin Hood did it, but you shouldn't do that, because you stifle initiative and the desire of the rich to start a new company, or expand their company, or hire more people. I believe in that theory. The Democrats generally don't. Their platform doesn't; therefore, helping the poor, even if you take from the rich. And we're taking from the rich. The income tax was increased recently for those over \$400,000.

Czaplicki: Has there been a change between the effect of those tax rates now and, say, back when you were at Glenn Martin? What were the rates then? Weren't they 72 percent for the upper brackets?

Mandeville: I think they went up to 90 for the top.

Czaplicki: If you're at the very top.

Mandeville: But very few people ever got there. If you set the higher limit at 90 percent, but had that only at the first dollar after a billion dollars, nobody would pay it. It wasn't that striking, but it was similar to that. Nobody paid 90 percent of their income.

Czaplicki: But I thought there were people who were paying 60 or 70 percent.¹⁷ Or not even that? Do you think most people just never made those brackets back then? That the effective rate was really more...

Mandeville: The effective rate is what counts. I don't recall the intervals, but if the intervals are large, their effective rate would be considerably less. For example, I'm retired, but I have a pension and Social Security and IRAs. At the last dollar I earned, I'm at the 25 percent rate. But my effective rate is only about 16.5 percent of my taxable income. I don't feel sorry for the guys making \$600,000 or whatever it is. The last \$200,000 is taxed at 39 percent, and before that is 36 percent. That's only a 3 percent difference. It's not that much for what they make. But it's the concept of forcing these people, perhaps reducing initiative on their part, to help others without spreading the pain broader.

I heard Romney was caught saying 47 percent of the people don't pay tax or something like that. Are takers, not givers; are not earners. That's probably true. And I don't have a problem with that. I just have a problem with how you finance it. Obama said recently, "There's an income inequality that has to be satisfied."¹⁸ There will always be an income inequality. You hire people for

¹⁷ In 1960, an individual who reported \$12,000 to \$16,000 in taxable income and was married filing jointly had a tax rate of 30 percent. For the low and middle brackets, tax rates increased by 3 to 4 percent for every \$4,000 increase in income, reaching 62 percent for incomes between \$52,000 to \$64,000. The maximum bracket was 91 percent for those reporting \$400,000 and over. In 1970, the maximum bracket was 71.75 percent on \$200,000 and up. Tax Foundation, "U.S. Federal Individual Income Tax Rates History, 1862-2013," http://taxfoundation.org/sites/taxfoundation.org/files/docs/fed_individual_rate_history_nominal.pdf.

¹⁸ *Mother Jones* magazine posted secretly recorded excerpts of Republican presidential candidate Mitt Romney's remarks at a private fundraiser. Attracting the greatest attention was his claim that "There are 47 percent of the people who will vote for the president no matter what...who are dependent upon government, who believe that they are victims, who believe the government has a responsibility to care for them, who believe that they are entitled to health care, to food, to housing, to you-name-it." President Obama made rhetorical commitments to reducing economic inequality throughout his presidency, most notably in a 2011 speech in Osawatomie, Kansas, and his remarks several days later on the CBS show *60 Minutes*. David Corn, "Secret Video," *Mother Jones*, September 17, 2012, <http://www.motherjones.com/politics/2012/09/secret-video-romney-private-fundraiser>.

what they're worth. If the McDonald's workers don't want to work for \$7.25 an hour, they can quit and go to school and get a higher wage, and five more employees would come in and apply for the job.

Czaplicki: Or they could try to organize.

Mandeville: Or they could organize, and then see what they could do there.

Czaplicki: That's what they're up to now, apparently.

Mandeville: Right. Let them organize. That's fine; I have no problem with that. I think maybe unions go too far sometimes, but let them organize. That's fine.

Czaplicki: Was your dad in a union when he worked for McDonnell?

Mandeville: Oh, yeah. UAW. He had to be union to work in the machinist shop. Now, I was never union, because I was on the engineering side.

Czaplicki: They didn't have a union for that?

Mandeville: I didn't have one that I knew of. No, I was never asked to join a union. There was not one, to my knowledge.

Czaplicki: Maybe because you were management.

Mandeville: I guess management, yeah. They wouldn't let me in. Dad was union. He went there in '42. He worked at McDonnell for fourteen years. He was union all the time.

Czaplicki: Do you remember him being on strike or anything like that? Any union politics affect the household?

Mandeville: You know, I don't. In the fifties and the sixties—the fifties in particular were a *great* decade. Probably the best that I remember. Jobs were plentiful. The drugs were not evident. They probably were there, but you didn't hear about it. Police didn't shoot college students, like at Kent State University, that kind of thing. None of that was happening in the fifties. In the sixties, you had the thing in New York [Woodstock], and the drugs coming in and being obvious and reported. Then you had Vietnam, which caused a lot of unrest. Korea was very much like Vietnam in that we didn't fight to win the war, but you didn't have the massive objection to Korea. I think people felt it was necessary. We had a treaty with them, and we honored it. Vietnam was not like that at all.

Czaplicki: How are you doing? Do we have time to get you to Illinois?

Mandeville: Yeah. These are the final days in Bowie, Maryland. This is the old town of Bowie. There's a new town, by Levitt, that he built, but it's all Bowie.¹⁹

Czaplicki: So that's not the original? There's actually two different Bowies?

Mandeville: They're the same Bowie, but there's two sections—a new subdivision in 1969 and the old town of Bowie. It was a little, quaint Catholic Church Ascension, and individual houses on one-acre lots. We bought a one-acre lot and built our house.

Czaplicki: What's that, a ranch?

Mandeville: It's a ranch. Thirty-two by fifty-five feet. A guy later bought it and built a second story. He made it into a beautiful house. This house cost us \$21,600 in '63. I bet he put at least a couple hundred thousand into remodeling it. A house I would only dream of owning someday.

Czaplicki: But you were making eleven per year?

Mandeville: At this time, in '63, I was probably making fifteen. Yeah, I was at Goddard now. I made eleven when I first came to Martin in '61. This is just a progression in these pictures: Mark, then Steve is added, then Glenn. One child. Two children. Three children.

Czaplicki: So who's the oldest?

Mandeville: Mark. Fifty-five. The youngest is Valerie. She's forty-two.

Czaplicki: Was Alma working outside the home?

Mandeville: No, not while we had the kids. She did after the last kid turned eleven. This is '64.

Czaplicki: You're growing.

Mandeville: We had four kids then. This is '67; this picture was taken by Royal Hart, the same photographer who took all of the Kennedy pictures.

Czaplicki: Really?

Mandeville: We were in Washington, DC. There were six of us then, Annette being the youngest. She was our missionary. Spent six years in Nicaragua. Alma woke up about five o'clock in the morning, and we had a real heavy snowstorm, and we lived in a drive that went uphill to the road. She said, "It's time to go," so

¹⁹ Reference to William Levitt, whose rationalization of housing construction and large-scale development of single-family homes fundamentally shaped the post-World War II landscape of American suburbs.

we piled all the kids in. They were all in there, except Annette. Well, I guess Annette was there; you just couldn't see her. Went to the hospital. In those days, the husband couldn't be in the labor room or in the delivery room. The kids and I went back home, I got a babysitter for the five kids, and I went back to the hospital. I had to wait in the waiting room. About two o'clock that afternoon, Annette was born.

Czaplicki: I did notice on this page mention of Vatican II. How did that impact you?

Mandeville: Vatican II? I liked it. In fact, in Bowie, Father Manganaro was the priest there. Father Manganaro was from the old school, you might say. He selected a few people, only men—women couldn't be on the altar anywhere in those days, in the 1960s. Vatican II, I think, is '62 through '68.²⁰ A lot of it didn't take effect until somewhat later. In this case, in the mid-sixties, it was already being felt in Maryland. He selected a couple guys. We'd stand up there at the pulpit in a black garment, sometimes with a white surplice over us, and we weren't allowed to do anything. (laughs) We were basically an emcee. We couldn't read the gospel—we still can't. Today the laity can read the readings from the Old Testament and New Testament, but we couldn't even do that. All we read was the beginning prayer, and then we basically said, "It's time to stand up." Catholics stand up and down quite a bit, and kneel. That was what we were doing, and after mass, people would come up and say, "Are you a seminarian or a priest?" I said, "I'm a father." "Oh, okay." "Of five kids." (laughter)

It was an interesting time. I think that the older the person was, the less they accepted the Vatican II changes. The young people took it up right away. The thing I really liked about it was the priest turned around to face the people during mass. And the mass is in your native language.

Czaplicki: I was going to ask, does he do it in Latin or English?

Mandeville: It's in your native language, English. When we traveled—we traveled to Japan, we traveled to Europe quite often, and Africa. One of our daughters was in Peace Corps for four years in Cameroon. It's always the native language; people can participate. I was an altar boy when I was in grade school. For the *Confiteor*, the confession, or the "I believe in God," that one, you had to kneel down and bow your head, and the priest was standing in the middle, everybody facing the altar, before Vatican II. All the altar boys I knew, including me, would say, "Confiteor," and then we'd mumble something at the very end. We'd say, like, two words, and the priest would look at us. He couldn't hear what we were saying. None of us knew it. Today, it's in English; you can read it. But we don't do it that way anymore. We say it together now at mass, and it's an entirely different—you can participate.

Now, at our parish, on Saturday morning, eight o'clock, we have a Latin mass.

²⁰ The Second Vatican Council (1962-1965).

A priest from Quincy comes over and says it, and the servers are all adults. They're seminarians, primarily. Anybody from the dioceses can come, and they're mainly Springfield people. You have a large number of older people who still would like the Latin mass. But you can't participate, because very few people know Latin. But they all know English. So no, I think the young people took to it. It wasn't any problem.

Czaplicki: How did you end up in Springfield, then? Leaving NASA despite all the excitement—we're going to the moon—and you come to Illinois.

Mandeville: In NASA, when I was still at Goddard, I headed a branch that was program review and analysis. I would be the one that would coordinate the reviews and analytical data that went to headquarters for the various projects. I wouldn't do the technical review, but I would coordinate the publication of the document and the submission of it to headquarters. One of the guys that came through my branch, an intern with NASA, was a guy named Brad Leonard.

In Illinois, when Ogilvie took office in '69, he hired a White House Fellow, John McCarter, to be his director of the Bureau of the Budget. McCarter hired four people to be division directors. One was a guy—and I won't mention the name because his tenure didn't last long—John McCarter was going to replace. By that time, Brad Leonard had come to Illinois to work in the bureau. McCarter asked him if he knew anybody at NASA that might do this one opening that they had, and Brad mentioned two names: mine and a guy by the name of Valentine, like the heart. Valentine was more experienced in terms of years of service at NASA headquarters—I was still at the field center—but he didn't want to come to the Midwest. So I was the only guy left.

John Cotton—John was the deputy—and John McCarter came up to Hay Edwards, or Hay something, Hotel, across from the White House, to interview me in early summer of '69, I think June of '69.²¹ They liked what I could offer, and I liked what they were offering. We had made the decision to move back to the Midwest so that our kids could get to know the four grandparents. They were all still living.

Czaplicki: You were already thinking that before the budget job?

Mandeville: Yes. Actually, a teaching position is what I was looking for. I applied to Virginia Tech and a couple other universities to get a professorship. Also, I was open to anything in the Midwest. Alma's and my thoughts were, Okay, our parents are old—in their sixties, I guess. They were going to all die soon, like four years. Let's stay here four years, and we'll go back to Maryland. We really liked Maryland, although we were from Illinois and Missouri. My mom, being German, just fouled all that up. She lived another eighteen years. (Czaplicki laughs) Some of them cooperated, but mom didn't. She didn't die

²¹ Probably the Hay-Adams Hotel, on Lafayette Square at H and 16th Streets NW.

until '87. She was ninety-three years old. By that time, we had been in Springfield for eighteen years, and we said, “No, this is our home now. This is the anchor for the kids. They all know this house.” We were in the same house—we moved to it in '69, so forty-four years. The longest I've ever lived in any house.

Czaplicki: Wow.

Mandeville: Longer than most people live in a house. So we lived there forty-four years. Still live there. That's why we came back. When mom decided to live longer than we had planned—speaking of planning. Now, see, there's an example of planning. You're all going to die in four years. I have no control over that. Planners have no control over what they do, in my mind. Budget people do. A big difference. Budget people have to execute. Planners don't have to execute. They just have to plan, and plan more. If that plan doesn't work, they say, “Well, we meant 2020,” instead of 2018.

Czaplicki: What was Ogilvie offering you? You said you liked what they were offering you, so what were your specific responsibilities going to be?

Mandeville: They offered me division director. I was in charge of revenue estimating, expenditure control, and preparation of the budget document. All of those things were under my division. My experience, my education, fit perfect for budget estimating, finance, and economics. We developed economic models to estimate revenue. In other words, we took years of experience of major federal indicators and related it to a variable in Illinois. Let's say GNP at the national level as maintained by Washington economists, and some Illinois factor, like income tax. I found a very close R-squared relationship. They were almost in perfect relationship over time. So I figured, Okay, we then can work a relationship between federal income tax and state income tax receipts. We used that model, and it worked well. It's kind of funny how the media handled it. We'd be \$200 million off, let's say. They said, “Oh my God, \$200 million.” I said, “We're 99 percent correct. That's only 1 percent of the budget.” “Oh. Well, okay.” (laughter) They'd still print the \$200 million.

So that was something I was very interested in. Later on, I became the director. But before I became the director, when Ogilvie lost, Walker asked me to stay on. I stayed on for his first budget, but I had promised to go with George Lindberg as his deputy comptroller. I'd made that commitment. I stayed until April of '73, because that's basically, in those days, when you presented the budget to the General Assembly. Hal Hovey was then hired. John Gilligan was the governor of Ohio, and Hal Hovey was his budget director. Walker apparently knew the Ohio governor, so Hovey became the director, and I was the assistant for about a month or two. Hovey didn't come until the budget was prepared. I was, in essence, the acting director for Walker's first budget. By the way, the only balanced one he had. (laughter)

But then I always talk about the prior administration.

Hovey was one of the smartest guys I've ever known, and I don't think he had a college degree. He was just naturally smart. But he was also very capable mechanically. He could type faster than the secretaries. He'd do eighty words a minute, with few or no mistakes. So he did a lot of the typing because he'd get it done faster. The secret of good management is to delegate, and to delegate people smarter than you are. I think Hovey never learned that, so he would do things, like typing, that should have been done by the clerks who were sitting there. So much so that by the end of the budget session—he was only there a few months—he had what I would call a nervous breakdown. He had to quit, and he left the bureau. Then Walker hired another guy.²²

Hovey was a different guy. Later on, in the Springfield paper—this would have been probably in the mid-seventies—an article appeared about Hal Hovey. He was then head of some kind of an organization, like one of these private organizations that worked for the government under grant. He developed brain cancer. So he inquired, according to the article, about what it would cost for an operation, because he didn't have enough insurance. They said twenty-five thousand dollars, with no guarantee that we can cure it, that it will help. So guess what Hovey did? He donated twenty-five thousand to cancer research and shot himself. That was Hal Hovey. My feeling is that people can be too smart, too intelligent, to where they tip over the edge. I think Hovey was probably one of them. It was sad, but it was not unusual. It didn't surprise me when I saw it.

Czaplicki: On that somber note, I think this might be a good point to break.

Mandeville: Okay. We're in Illinois now.

Czaplicki: We're in Illinois. We'll pick up next time with starting out under Ogilvie and your time with the comptroller, and then move on from there.

Mandeville: I'll just show you two more pictures.

Czaplicki: All right.

Mandeville: Seven.

Czaplicki: Oh, so your family is up to seven kids now?

Mandeville: Yup. (pages turning) I was nominated for a number of these awards. I went to Hilton Head, but not some of the others. Here's a letter that Walker wrote me when I left the bureau. He wanted me to stay, and offered me deputy budget director or deputy secretary of transportation.

²² Leonard Schaeffer, who had been deputy director of Mental Health, replaced Hovey.

Czaplicki: March 13, 1973: "Dear Bob, Of course I'm deeply and personally disappointed, but I accept your decision. It in no way diminishes my respect for you or my gratitude to you for all the help you provided during a difficult transitional period."

Mandeville: He was a smart guy. Here's a final one. That's eight children on there.

Czaplicki: And now we're up to eight.

Mandeville: This is our youngest.

Czaplicki: Nineteen seventy-three. And you have a beard.

Mandeville: Yeah. This is our house that we lived in. This is the prior picture, with seven kids. So this is Mark, and then Steve is second.

Czaplicki: In the back row here?

Mandeville: Yeah. Mark, Steve, Glenn, and Pat. Then Renee, Annette, Rob, and Valerie. Five boys and three girls. And we lost one very early. That would be between Mark and Steve. Would have been nine with Linda.

(End of interview 1)

Interview with Robert Mandeville

IST-A-L-2013-103

Interview # 2: December 12, 2013

Interviewer: Mike Czaplicki

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Czaplicki: Today is Thursday, December 12, 2013. I'm Mike Czaplicki, project historian at the Abraham Lincoln Presidential Library. I'm here to do my second interview session with Dr. Bob Mandeville, director of the budget under Gov. James Thompson. How are you today, Bob?

Mandeville: Good.

Czaplicki: We almost got you up to the time you joined the Thompson administration, but I wanted to work in that area a little bit. You were talking about a lot of stuff after we turned off the recorder, about Governor Walker and some of the things you were doing as you left Governor Ogilvie's administration. So I wanted to go back to some of those things and pick up from there. But just to touch on your time at GWU for a moment. You did mention that one professor in statistics who made a pretty strong impression on you, making you take that course. Were there any other faculty there that had a lasting impact on you, or shaped your outlook on management or finance or anything like that?

Mandeville: Let me think.

Czaplicki: And if not there, even beyond the classroom, any of your work experiences.

Mandeville: I can't think of any particular one. I went to night school. I was still working at NASA. Going for an advanced degree, you go to class, but there's an awful lot you do outside of class, especially at dissertation time. It took me three years to do the coursework at night school, and about five to do the dissertation, because they sent me down the wrong track. So I had to backtrack. But it still took a long time, because at that time I had seven kids. My wife would have to take the kids off into the family room, or often to some activity to get them

away from home. I'd lock myself into our spare bedroom until I fell asleep. You've been through that, I'm sure. (laughs)

Czaplicki: But I had a word processor, and I don't think you did.

Mandeville: No. That's the other thing, an old typewriter. I think it was electric, I'm not even sure of that. Big difference. If you want to go back farther, the professors that really impressed me were two brothers who were Benedictine monks, Father Pius and Father Paschal. Father Pius was math and Father Paschal was physics, and I had both of them because I was going to take physics as a minor. I had almost enough to be a minor by the time I left Benedict. But Pius was very easygoing and why I stayed in math. In math, you need a teacher who can relate to you. In other courses, not so much. Pius was that kind of a teacher. He impressed me.

I guess at St. Louis U—this is for my master's—the economics professor. I can't remember his name. He said, "If haircuts ever get to \$2.50, I'm going to cut my own hair." That is just an indication of relativity; \$2.50 then was a lot to him. Fifteen dollars now may be normal, or twenty dollars, depending on whether you call it a salon or a barbershop. He taught a very practical economics. So those two come to mind. Oh, there is one other. Father Reinert was president of St. Louis U, but he had a math background and took an interest in math majors. He introduced me to Pi Mu Epsilon, which was a fraternity for mathematicians. I remember him quite well.

Czaplicki: I noticed in our last interview, you often make off-hand comments about the different orders. You'll mention somebody's a Jesuit, or someone's a Dominican.

Mandeville: Yeah.

Czaplicki: Very briefly, what are the distinctions that strike you as significant between those orders?

Mandeville: My first one probably was the Benedictines, out in Atchison, Kansas. Benedict was the first head of an order, back in the 500s, AD. Most of the orders are patterned after the Benedictine rule. They're a mild order; they're a teaching order, primarily. The monks live in a monastery, and they teach in a college, which is on the same land. They're just very gentle people. When I was at Benedictine, in '48 through January of '51, every teacher I had was a monk, a priest.

When I moved to St. Louis U, Father Wade—oh, he's another one that really impressed me, Father Wade, my philosophy professor. He could walk into the classroom and pick out some victim, and he would say, "What's your view on the Korean War?" The guy would start off saying, "I'm definitely against it"

or he would say, "I'm for it." By the end of Father Wade's questioning, he would reverse his position completely, and he wouldn't even recognize he did it. This guy was good. So I'm glad I minored in philosophy.

The Jesuits are a much different order than the Benedictines. They are more scholarly. They are more pragmatic. They're a teaching order, primarily. But in a Jesuit institution, you obey the rules or you don't stay. Benedictines will give you leeway. That's one difference. I came from Father Pius, a short, heavysset, jolly, very interesting math professor, to a layperson who was a colonel in the Italian underground during the war. A short, thin guy. He carried this walking stick, or maybe it was a baton. When you were in his class, you kept your feet off the aisle. You sat still, and you didn't talk unless he asked you a question. He was our math professor. None of us understood him; he spoke broken English. I got straight A's at Benedictine, but I was lucky to get a B in this class. It was theory of equations or differential equations, one of the two. The only reason I got a B is that he graded on the curve. (laughs) Couldn't understand him. Then I went to physics, and the guy there was a former vice chancellor of Austria who got out when the Germans came. He came to America and ended up at St. Louis U. The Jesuits would hire people like that. They're not as likeable as the Benedictines.

When I was in grade school, I had the Franciscans, who are also gentle. Except this one nun. She would throw erasers at us. Then for high school, I had the St. Joseph nuns from Carondelet in St. Louis. After the Jesuits, when I got out of college and out of Air Force, our family went for about ten years to a Christian family camp down at Pere Marquette.²³ That was run by the Franciscans out of Quincy. They were down to earth, like you think of St. Francis with the birds and the bees, and nature-lovers. They were fun, too. The Jesuits are not fun; they're very good, but they're not fun.

Now, my wife's brother is a priest. He's a Marianist, an order founded by William Joseph Chaminade in Bordeaux, France, in the late 1700s, early 1800s. They are unique in that the first group that Father Chaminade founded were the laypeople, not the priests and not the nuns. Then he founded the nuns, and then the priests. They call them brothers. They're all brothers, even though some are elected by the brothers to be priests. Father Al McMenemy—that was my wife's maiden name—is one of the Marianist priests. They are very different. They are extremely humble compared to some of the orders. They're comfortable to be around. They don't put on airs. They just are themselves. So I have a mixed philosophy of religious orders. (laughs)

Czaplicki: If you had followed a different course and gone off, say, to become a priest, what order do you think you would have fit into?

²³ Pere Marquette State Park is in Grafton, at the confluence of the Illinois and Mississippi Rivers.

Mandeville: I was probably influenced most by the Benedictines, because I lived on campus and was on the boxing team, and I'd do a lot of cross-country running. So I'd run by the abbey and I'd run by the farms. They would farm and grow their own produce, like grain and so on. I'd run out and the brothers would be out there working in the fields. So probably Benedictine. Most of your Jesuits would have, I'm guessing, an advanced degree if they're teaching, especially at a university. If I'd gone on and got advanced degrees, it might have been the Jesuits. I think you go with where you are at the time. I'm a Catholic because my mom and dad were Catholic, and I was raised a Catholic. I'm an American because I was born here. Could have been born in Africa or India. The circumstance of where you were born and where you experienced influence affects what you do. Probably Benedictine if I had stayed there for the whole four years, and maybe gone on to a master's at Benedictine.

Czaplicki: If the experiences shape what you do, what led you to math? What led you to management?

Mandeville: I've always liked math. I frankly didn't know what I was going to do when I went to college. I think many kids are like that. They don't know for sure. Except my one son; he was going to be a doctor from the time he was seven years old. But that's unusual. I really didn't know what I was going to do, but I had a couple of math classes as a freshman, algebra, and I had not had algebra in high school. Now they teach it in grade school. I really liked it. I liked the challenge of trying to figure out an equation or a problem, so I just stayed in math. And I liked physics. It was harder for me, but I liked it. I figured math and physics, I'd go into some technical job and make maybe—this was about '54. I had a forty-year plan, a progression of money, and I figured if I got to forty thousand at the end of that forty-year period, I'd be very lucky. Well, obviously I wasn't counting on inflation very much, (laughs) because actually it went up much more. I just always liked math, and I like problem-solving.

After I left the bureau in 1990, I probably went back in various roles maybe half a dozen times. They would call me and say, "We've got a problem." Like the State University Retirement System, the State Board of Education, Ursuline Academy, which is a Catholic high school, the city of Springfield, the Pension Laws Commission in Illinois—those are all things where they called me in and said, "We can't find somebody to get this Pension Laws Commission up and running. If you take it, your job will be to review all the pension laws and make recommendations for changes, if any are warranted." I would go in, take the job, fix the problem, and then they would fire me because they wouldn't need me anymore. My grandkids were beginning to think I couldn't hold a job. (laughter) I just like to solve problems.

Normally when I went in, my job was to serve as interim until a new person could be hired. When I retired in 1990, I did not want to go back into full-time employment. In the State University Retirement System, the executive

director seemed to forget he was a public employee, and he did things that I believed were breaking the law.²⁴ He or his staff members would give legislators expensive presents, for example, fancy cufflinks.

I went in there and I asked him why he did it, and he really couldn't give me an answer. He had been the head of the information system, the computers, and he did an excellent job there. I was active in government at the time when he was there. By the time I went there in '95, I was retired, but he had been promoted to the executive director. For some reason, I think he acted different then than he did in the other job. I won't give you a name. My job was to ease him out, and he resigned. Then my job was to head a committee to find a replacement. We found a guy in Minnesota, and he was excellent, he was a straight shooter. He ran it for about five years, then went on to a bigger job.

Same way with the Pension Laws Commission. I was hired to get the commission up and running, review the laws, and make recommendations. I told them, "Six months, I'm gone," and they said okay. I was asked by Senator Maitland, who was a Republican senator and head of the commission, to come in and take over.²⁵ At the end of the six months, I had to make a recommendation for a permanent director. All four leaders have to sign off on you when you take a job like this. Pate Philip was the Senate Republican. Daniels was the House leader. Madigan was there forever, so he was there. Emil Jones was the Senate Democrat. Had no trouble with Daniels and Pate at first, but then I recommended a Democrat for the job, (laughs) who clearly was the best qualified. It was a woman, and she was the best qualified. Madigan liked her right away, and Emil Jones signed off no problem. Daniels didn't really care, but Pate said, "What the hell are you doing?" (laughs) I said, "She's the best for the job, Pate, and I've got to recommend her." So he finally agreed.

It was really funny. When I went in, I needed a secretary. I had nothing there. I was right across from the Stratton Office Building. There was a building there, and we were housed there. It had a Subway on the first floor, and then a couple of stories above it. I put out a request for a secretary, anybody who wanted to apply. One person who applied had been a secretary for Mike Madigan. Or maybe not to him directly, but in his office. I had to get all four leaders to sign off again. The only one who objected was Madigan. I don't

²⁴ In March 1995, Auditor General Bill Holland released a report that questioned the SURS executive director's use of the agency's credit card and agency-provided perks. Follow-up investigation revealed three of his subordinates had formed a political action committee that raised funds from SURS vendors and paid out \$15,000 in political contributions to various General Assembly candidates between 1993 and 1994. Mandeville took over the job on May 5, 1995. Rick Pearson, "State College Workers Wooed Friendly Legislators with Cash," *Chicago Tribune*, April 2, 1995; "Audit Questions Pension Fund's Use," *Chicago Tribune*, September 24, 1995.

²⁵ Sen. John Maitland (R-Bloomington) served in the General Assembly from 1978 to 2002, rising to assistant majority leader in 1993. He was co-chairman of the Illinois Pension Laws Commission from 1996 through 2000.

know why. I actually dealt with Tim Mapes, who is his chief of staff. But he finally signed off.

Initially, when I had to go and interview all four before I could take the job, Madigan, no problem; Pate, no problem; Daniels, no problem. I went to see Emil Jones, and Emil said, "Why do you want this job? Is it important to you that you get the job?" I said, "No, I don't care if I get it or not. Maitland asked me to do it. I'll do it if you want me to. If you don't, I don't care." "Oh, okay." (laughs) I don't know if he was going to ask me for a donation or what. And I say in my autobiography that the one thing I learned about the Pension Laws Commission is I never want to work for four legislative leaders again, where they're opposite parties, two and two. It's just too much of a headache.

During this same time, Lou Mervis, who was head of the State Board of Education, asked me to come in and be the second-in-command behind Joe Spagnolo. Joe had about twenty-five audit findings. Most of them weren't too serious, but they were something you shouldn't be doing. Hiring a limousine to bring you from O'Hare to Springfield. You just don't do that as a state employee. My job was to get rid of the twenty-five findings, and then Joe was going to be phased out. I'd be interim for about three months, then we would hire a new guy, and he would take over and I would leave. I said I would do that; I told Lou Mervis I'd be there for six months. I was there twenty-one months, because it took that long to do what I had to do. That was the nature of what I was doing after I left the bureau.

I got off the track here. You were talking about something else. GW. Nothing unusual happened there. I would walk down after work, on the nights that I had class, and I remember walking by guys sleeping in cardboard houses. That was their home, I guess, the homeless. I remember that. The classes were good. I took economics, controllership, managerial accounting, finance, and personnel management. Everything you need to be a manager. Controllership was good. It was somewhat different than finance.

Czaplicki: In your autobiography, I learned that you had received your Missouri teaching certificate when you got out of college. Then you mentioned that when you left DC to take the budget job, you had applications out at several universities around the country. When you agreed to take Ogilvie's offer, did you withdraw those applications?

Mandeville: No, I just got one or two responses.

Czaplicki: It seems like teaching is something you were interested in. Were you worried that you might not ever teach?

Mandeville: I actually did teach, as it turned out. I taught at University of Chicago for a year. I taught at Sangamon State, now U of I Springfield; I taught there for

maybe ten different courses. When they needed a fill-in for any of the finance or budget courses, they would normally call me and I would teach it.

Czaplicki: Was this after you retired?

Mandeville: No, I was still working. They were evening classes. They had a lot of evening classes. One time they called me for a business regulation class, which I really didn't know a lot about, but it's easy to learn about if you have to. So I taught that one year. But mainly it was budgeting and finance. Then at Eastern Illinois, I taught for a year as a visiting professor of finance. That was seniors and master's students.

Czaplicki: Would this mainly have been in the 1990s?

Mandeville: Ninety-two, yeah. That was after I retired. But UIS, or Sangamon, was before I retired. In fact, it probably started in the late '70s.

Czaplicki: You ever hire any of your former students? Anybody stand out?

Mandeville: I did. I hired one from the University of Chicago, Bill Ledbetter. We taught a course in—I think it was called public finance. Dick Kolhauser, who was my deputy, and I shared the course. We both went on the same night, mainly for protection to get back to our car. Bill Ledbetter just stood out of all the students. So after the course was over at the end of the year, we asked him if he was interested in a job, and he said, “Yeah, I don't have one.” (laughs) “I'm going to graduate in May, and I don't...” So we hired him. Good choice. He became our bond analyst. He would go with me and Thompson to the rating agencies in New York and explain why we deserve our triple-A, and don't dare take it away from us, because we'll do anything we have to.

I think this was in '81. There was a recession. We experienced a \$300 million shortfall in revenue relative to our projection. So on the way up, Thompson was saying, “What are we going to tell them?” I said, “Tell them we've got a \$300 million shortfall in revenues.” “What will they say?” “They'll say, 'How are you going to fix it?’” He said, “Well, I'll tell them one thing I won't do is raise taxes.” I said, “Governor, don't tell them that. Tell them you'll raise taxes if you have to, but you will fix the deficit.” And that's what he told them. Thompson was so good. That's all you had to tell him, and he would lay out a complete plan. (laughs) Maybe ten minutes on that one topic.

Czaplicki: Good storyteller.

Mandeville: Oh, he was good. But it was factual. He would embellish, but it would be correct.

Czaplicki: Was Ledbetter an undergraduate, or was he in a master's program?

Mandeville: Master's, yeah. Mainly, I tried to hire only master's. I think I mentioned last time, my philosophy of work is let them come whenever they want, as long as they get the job done by the deadline. Guys would wander in at ten o'clock in the morning and maybe work until ten that night if they had to, or weekends. But they had to meet the deadline. The kind of people I hired were the kind that would do that. I didn't have to motivate them. They were motivated.

We had a hiring practice, which I'm sure wore them out. I had six guys interview each person up to two hours each. Then we'd get together and say, "Do we want this guy or not?" Every year we would send out the division chiefs, when I was the director. We'd have, like, fifty interviews at maybe five colleges, different each year. Maybe the West Coast, Stanford. We went to Harvard, we went to Syracuse, and we went to Yale. We went to many of the state colleges. We'd come back with fifty interviews, and then we would get together, all the people who went out interviewing, and we would select ten, and we'd hire two to five of those ten. That was our process we used. We ended up with very good people, and they went on to be the top finance people in the agencies, and I encouraged that. I didn't care if I lost them, because I knew we were hiring new people who were young and eager to learn and advance, and they would be just like the ones that were leaving within a year or two.

Czaplicki: Was this just something you did on your own, or was the governor aware of this plan to raise the staff level?

Mandeville: No. Well, I think he liked the staff. We have one picture of him laughing, and I'm saying, "Don't laugh. This is serious." He really got to know the staff well, especially the division heads within the bureau, because every year he would have a Christmas party and go around and meet them all. So he knew the top people, like Kolhauser and Braton, and Troy Murray and George Hovanic. He knew all of these people. Ogilvie had a Christmas party too. In fact, I have a picture of my wife dancing with him. This must have been '71, because he probably wouldn't have been happy on Christmas of '72. But generally, he didn't do that, and Walker didn't either. Thompson did. He often entertained the people who worked for him, especially directly for him, to get to know them and understand them and appreciate them. Or get rid of them. One or the other. He was very good at that. They were great parties.

Czaplicki: I want to stay in the Ogilvie administration for a little bit. In the fall of '69, you arrived at the Bureau of the Budget.

Mandeville: September, I think. Moved in August, started in September.

Czaplicki: Now, that bureau had only been in existence since July.

Mandeville: Right.

Czaplicki: Started July first. Do you recall the mood when you got there? Did you feel like you were coming into an existing institutional culture, or was it entirely new, something you were all creating at that moment?

Mandeville: It was new to me, because NASA was different than the state Bureau of the Budget. In NASA, at the end, before I came to Illinois, I was a GS-15, which is the highest nonpolitical appointee level in civil service. There, as a GS-15, I was head of a group. If I had a problem, I would go to somebody and they would help me fix it. When I got to the bureau, I had to do all that myself. So I stumbled a little bit at first. I was in a division which was revenue estimating and expenditure control.

Czaplicki: You were one of four division heads, right?

Mandeville: Yeah. One staff member was Bob Taft, who later became the governor of Ohio. He did two terms as governor. John McCarter is now the head of the Natural History Museum in Chicago—or was, the last I heard.

I hadn't done much direct contact with people on specific actions that they had to take. Except in the field center, I did, but it was more scientific-oriented. I dealt with scientists and folks who were management, like the head of Goddard. I didn't report directly to him, but I knew him and I knew what he wanted. But basically, my job was to keep track of all the finances of space applications, and to respond to others within headquarters and NASA on what was going on in Nimbus, Landsat, OGO, Relay, and those type of projects. When I got to Illinois, it was like a teacher in social work at a university versus a social worker who contacts the client. Now my staff and I had to contact the client.

Czaplicki: And who would the clients be?

Mandeville: The clients were two-fold. One was the agencies. If they were to send in an allotment report to show us how they were going to allocate their money across the four quarters, and they didn't, then we would have to contact them. The other was revenue estimating, and we were on our own. We didn't have somebody I could ask about it. We had to do the revenue estimating, so we created the correlation models with other variables that were reported. There was no variable for Illinois directly comparable to the variables we used at the federal level. We had the data from a variable in Illinois, but nobody reported it directly. We'd have to calculate it based on economic variables that we knew, that they did report on. Then we would run a correlation over time against the federal counterpart to that. But we had to do all of that.

Czaplicki: How many variables would you be drawing on to build your model?

Mandeville: Depends on what it was. If they raised the cigarette tax, in this case, there probably is not a counterpart. I would have to estimate the trend over time of the cigarette tax revenue, and then I would have to fit in the increase in the cigarette tax revenue. Then I would have to take out the people who had stopped smoking. I would go to Indiana to get it, or to some other state, Kentucky, where the tax was three cents, and we were, like, twenty-five cents. So I-57 became the cigarette alley. Semis would ride from Paducah up to Chicago, and they normally wouldn't stay in Chicago. They'd go right to the border with Indiana; they'd cross over the border, and they would sell them to people from Chicago. They were actually in Indiana, which had a very low cigarette tax too. So you'd have to factor in the loss in revenue due to that kind of thing, and a lot of it was guesswork. You just didn't know what was going to happen, but your sense would tell you, if they can get them for twenty cents a pack, that's two dollars a carton cheaper in Paducah. And if someone was willing to bring them from Paducah and sell them for a dollar a carton cheaper, they're going to buy the cigarettes from them. You had to figure all that in.

On the more important ones, especially the income tax, we did have variables there. We could use the corporate income tax, we could use the individual income tax, and we could use the stock market as an indicator of individual taxpayers as they bought and sold stock. Then we also had a GNP for the nation, and we could use an Illinois variable and go back, let's say ten years, and watch the correlation. It was very close. Obviously, the federal is much bigger, but they were very close in correlation. Then we would project out, given that correlation, and come up with estimates. As I think I mentioned last time, if we were \$100 million off, all people would go, "Ugh." That may be one half of 1 percent. They would say, "How come you're greater than the Fiscal Commission, the legislative estimators?" I'd say, "Well, not really. We're the same. We're 99.5 percent in agreement. We're the same." "No, you're not. You're a \$100 million over." That's the media. (laughs)

Czaplicki: Did you undertake any research studies looking at past estimates and ways to improve them, or how accurate they were? Coming up with different variables to get a more precise estimate? Did you have any ongoing projects like that within the Bureau of the Budget?

Mandeville: We used our own past data and data for other years when available, but I was there fourteen years.

One story is that a governor—I think he preceded Kerner—was going to the General Assembly to ask for a sales tax increase. It was before the income tax. He had, literally, an envelope with the revenues on it. One of them was the sales tax, and then he had them all totaled. He explained to the General Assembly that he was short the money to fund the appropriations we needed,

and he wanted a one-cent increase in the sales tax. Somebody on the staff, either his or the General Assembly, said, "Governor, you added wrong. You got too low a number here. If you actually add these numbers, your total is equal to your spending." That was the state of revenue estimating in those days. That might have been in the forties or fifties, I'm not sure.

Until Ogilvie came, literally, the Illinois government was in the dark ages. Ogilvie brought a sparkle and a change in the way you look at government, starting with the budget, but also he was willing to hire professionals, and pay them what they demanded, to get the right people for his administration. There was nobody like Ogilvie before that. Shapiro certainly wasn't. Kerner might have been; he was apparently a very good guy. But nothing like Ogilvie. Ogilvie knew he had to pass an income tax to upgrade education funding and mental health, corrections—everything. That's when a lot of the building began to take place, and the improvement of the mental health facilities.

Czaplicki: Did you ask any other agencies? Did you make demands for better data collection, so you'd get more information on making your estimates?

Mandeville: I think we asked Revenue, because they took in the income tax. We got the data from them. We didn't ask them for a way to estimate. We had Dale Smith, Dick Kolhauser, and myself, and the three of us could do it. We didn't need anybody to develop the way that we estimated, but we needed the raw data for the income tax, and that came from Revenue. Other data came from various agencies, like Transportation on the federal aid that they expected. Public Aid would be caseload projections, because in Illinois we got roughly 50 percent reimbursement on our Medicaid spending. We would spend \$100 million, get \$50 million back from the feds. So we had to know what the projections were for Medicaid, and then we would figure that into our federal aid projections. There may have been others, but those probably would be the primary ones.

Czaplicki: Were some agencies better than others at making good projections?

Mandeville: I would say in their field, they were okay. Because what we were looking for was hard data. We weren't necessarily looking for projections in Revenue, but we were in Public Aid and Transportation. We wanted to know, for example, the rate of spending on a highway project, the interstate, because that was like 90 federal/10 state. We wanted to know how quickly they would spend an appropriation for a given segment of a highway. They were very good at that. Kirk Brown and others knew what they were doing in that area. In Revenue, I felt confident of the people being able to give us data that had already occurred. I don't think we ever asked them for estimates, because we had our own economic model for projecting the economy. That's about all they could do, because as you project the economy, you project the revenue. It flows directly from what you say about the economy.

Czaplicki: What's the importance of creating the Bureau of Budget under the governor? How does that change the budgeting process?

Mandeville: You mean having to report to the governor?

Czaplicki: Mm-hmm, and creating this whole separate bureau that's within the executive office.

Mandeville: Prior to that, they reported to the Department of Finance. It was extremely important to do it that way, I think. Number one, we are not part of any civil service commission or code. I can hire who I want and pay them what I want within the limits of my appropriation, and we have the backing of the governor directly. There's nobody between me and Thompson that can interfere, except, of course, all of his staff. (laughter) Folks like Paula Wolff, who was the head of the program staff and had her priorities. That is, to push new programs for the governor, so it would help the governor. I understood that. My priority was to keep the state solvent. So I had to take the actions that I had to take, no matter what program she wanted, if it didn't fit within the budget. Or we had to request a tax increase. One or the other. She was very, very strong on programs. That's good; that was her job. I think she was the one that asked me one time, "Don't you have any favorite program that you want to push?" I said, "No. I can't push any program. You've got to do that. All I can do is keep the state solvent. That's my job. My job is not to be a program advocate. You've got plenty of people on your staff to be program advocates." She did, and they did a good job.

One time, Art Quern, who was head of Public Aid—unfortunately died in a plane crash—and Mike Lane, who was head of Corrections, came in. Art was arguing for a COLA, a cost of living adjustment, for the welfare recipients, the income maintenance part. Mike Lane was arguing for more single-cells or two-man cells. Mike said, "We have people at Pontiac and Stateville and Menard, all the maximum-security prisons, and they're behaving correctly. I want to reward them, to move them to a less strict facility, with either two men to a room, or maybe only one man to a room, and I need money to build facilities to do that." And Art said, "Look, these people haven't had an increase for three years. They're living below subsistence level, and they should be given some increase, like 5 percent."

There were four of us, counting Thompson. My job was to tell him what each would cost. If maybe one cost more, that guy was weaker. Afterwards, Thompson would say, "Okay, let me think about this. I'll get back to you." Invariably, he would call me with the answer. He called me Dr. Bob. He said, "Dr. Bob, here's what I want you to do," and whatever the decision was. In this particular case, I think Art lost on the increase for the welfare recipients, and Mike Lane got Kankakee and some of the other prisons. He didn't get any

single cells, to my knowledge, but he got doubles, two people to a cell, which was better than the roundhouses at Stateville.

I don't know if you've ever been there, but they were four stories high. No walls, just bars. This guy could see the guy way across the room in the other cells, and can see the guy on either side of him. This is where Richard Speck was. I was up there when Richard Speck was in the cell block.²⁶ It was just bad. One guy in the middle, in a round tower, and you could see all the way around. They have since torn those down, because it was just terrible.

Czaplicki: It's a very old model that you're describing.

Mandeville: It is, yeah. Maybe Joliet was like that. I've never been in Joliet, but I know Stateville was the main one I went to. We then built what I think they called the K prisons. That was the shape of them. They had about a half a dozen of those, and I they moved many of the people to those eventually.

Czaplicki: It's down the road, but since we're here now, we may as well talk about it more. When Thompson would make his decisions, would he ask you for the cost? Was that a central element in what he was thinking about?

Mandeville: Oh, yeah. In fact, the cost would be discussed in the meeting.

Czaplicki: So that's why you were there.

Mandeville: If I had the data, yeah. I would know right off what the cost of public aid would be, because I knew what the caseload was and I knew what the annual income maintenance was. I could quickly calculate the cost of a 5 percent increase. On the prisons, Mike would have to give us some data on that, but he had the data. We had the costs, so we knew that. You could argue that each of them could present an improvement in their program where the costs would be equal, and then the governor would have to do it on which one is the proper way to go.

Czaplicki: We'll definitely talk more about that stuff in future interviews. To go back to Paula's question to you, I understand it's not your job to push a program.

Mandeville: I can't.

Czaplicki: Right. But on a personal level—you're home, you're done being Dr. Bob for the day—are there programs that you think the state gets more bang for its buck doing, or should be doing, and other things that are less important?

²⁶ Richard Speck was sentenced to death in 1967, a sentenced affirmed by the Illinois Supreme Court in 1968. His sentence, along with forty-one others, was overturned by the U.S. Supreme Court in 1971 because potential jurors had been wrongly excluded on the basis of their opposition to capital punishment.

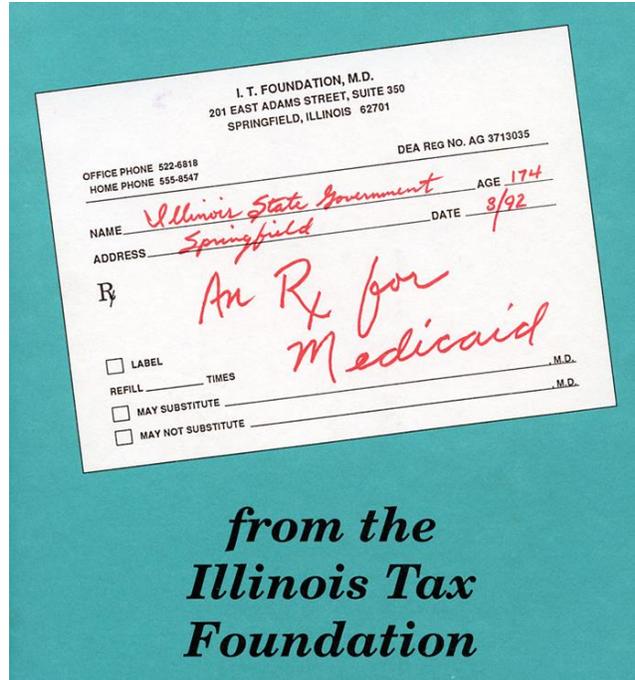
Mandeville: I don't know. We would make recommendations based on our knowledge and what the agency would say about their program. I guess my general view is that social programs are important and should be funded within our ability to fund. There has to be a dollar limit. For the Taxpayers Foundation, years ago, I did a study which I called the RX for Medicaid. My basic premise was that Illinois should adopt the Oregon model on Medicaid.²⁷

Czaplicki: The what model?

Mandeville: Oregon. The state of Oregon. Their model was that they would call in the best people they could find from anyone who was interested in Medicaid. Doctors, social workers—all the ones who were knowledgeable, and maybe also had an interest in improving it or doing

something. Or maybe not improving it. But people who knew the system. Then they would go into a room. And committees are not good, but in this case, you need one. Someone would give them, or they would develop themselves, every procedure that Medicaid funded in the state of Oregon, and they would ask the committee to rank it, from the most important to the least important. They would have to agree, as a committee, where to put that particular procedure. For example, if people could have eyeglasses every six months, maybe a better or different solution would be to give it to them every year, or every two years. I've had mine for four years. I keep going back, and the guy says, "Hey, your eyes are about the same. Keep those glasses."

Once you did all of that, then you decide, in the budget process, how much you can allocate for Medicaid. This is a subjective decision sometimes by the governor. We can make recommendations, but the governor makes the decision. The General Assembly can alter that, but then they're making a modified decision that is normally very small, incrementally, up or down. Very small. You then say, "Okay, in welfare, we can afford two billion this year," or whatever the number is. Then you go down. You estimate cost for each of the procedures. You go down until you reach two billion: what doesn't get funded within your limit, you eliminate. That sounds harsh, because some of the procedures would be important to some people, but the collective



²⁷ Robert L. Mandeville, *An Rx for Medicaid* (Springfield: Illinois Tax Foundation, 1992).

judgment is that they were less important than these, and there are limits of how much we can spend. So program-wise, I didn't let myself like a program.

This is really not to your point, but are you going to interview Jim Fletcher?

Czaplicki: Hopefully.

Mandeville: You've got to get him. I ran a couple of marathons, and we would go running together with Mike Lane and Jack Block. He'd be another one—

Czaplicki: Agriculture director, right?

Mandeville: Yeah. We'd go running at lunchtime through Washington Park and back in. Fletcher was saying, "I can tell you how you know when you've run too far or too fast. You bump into cars and you start bleeding from the mouth." We'd say, "Wait a minute." (laughs) But that's Jim Fletcher. He was a good guy to work for. Very smart.

I believe that social programs should be funded, but I also believe that you and me should do more with our private funds, if we can, to help people that we see. People say, "Well, I don't see anybody that needs it." I say, "You're not looking." If you walk through the east end of Springfield, you'll see people who need help. Kids who go to St. Patrick's, which is like a mission school for the diocese, come to St. Patrick's for breakfast because they don't get it at home. They're there if you want to open your eyes. We can do more. Every year here, they collect coats for the people who can't afford coats in the wintertime.

But you need someone—and certainly the feds need it, and Illinois needed it under Blagojevich—who can say, "No, we can't go there," and the governor will back them. If the governor doesn't back them, the bureau has no power; he has to back you. And if he didn't back me, I wouldn't have stayed, because I needed his backing or I couldn't hold the agencies at the level that they should be at, that they had to be at, for that year. I told you the story of John Lewis in Agriculture. The governor said, "Okay, you can exceed the bureau's allocation, but once you do, submit your resignation with the next voucher you put in."

Czaplicki: Oh, right, back under Ogilvie.

Mandeville: Yeah, under Ogilvie. Thompson would never do that. He was much smoother. (Czaplicki laughs) Ogilvie just went, boom, this is the way it's going to be, and he did it. He knew what he was doing. He knew how far he could go. He

knew John Lewis. Later, I think he made him secretary of state.²⁸ You need a person or a group who has the backing of the governor, who can force the state to live within its means. If you can't do that, in the end, you're going to lose the social programs too, because you simply can't afford them. You see that happening with the sequester at the federal level, you see them cutting programs they shouldn't be cutting, because they didn't hold the line before.²⁹ People are beginning to say seventeen trillion is too big a debt.

I would say I'm not going to push any program if I'm budget director, mainly because there's plenty of other people who will do it. The agencies will do it, and the governor's other staff people will do it. So they have an equal voice with the governor, and the governor has to decide whether or not he's going to go with me or them. If it were financial, he would normally go with me. He would also have program increases. Then he'd be willing to raise taxes too.

Czaplicki: Are there ways that you end up pushing a program, whether you want to or not, because of the governor's wishes? Because they have certain priorities and they ask you for certain analyses, which then help them in their debates?

Mandeville: Oh, sure. They're normally minor, though, or they're incremental within a program. The exception would be Build Illinois, a construction program. Build Illinois was a road program, primarily roads, bridges, and so on. The governor pushed that.³⁰ And I did too, because by law we provided the funding to take care of it—increase in certain taxes, like the cigarette tax, and allocation of the taxes in a different way. If you provide the revenue, fine. I have no problem with raising taxes if it's for a good benefit. We had to build highways, we had to build, probably, facilities, mainly prisons. We weren't building mental health centers anymore, we were closing them, but we were building prisons. The question should be, should we be locking up that many people, not should we be building prisons. Because if you lock them up, you've got to have the prisons. So you build the prisons if you decide to lock them up. Truth in Sentencing law meant people stayed in prison longer. I think it was up to 85 percent of the sentence on certain classes of felonies. It was maybe IV and X, those kinds of felonies.³¹

²⁸ Governor Ogilvie appointed John W. Lewis (1906–August 12, 1977: R-Marshall) secretary of state, filling the vacancy caused by the death of Paul Powell. Lewis did not run for the office in 1972. Prior to joining Ogilvie's administration, Lewis served in the General Assembly from 1941 to 1969. *Chicago Tribune*, August 13, 1977.

²⁹ The Budget Control Act of 2011 imposed automatic across-the-board cuts in federal discretionary spending, divided equally between defense and nondefense spending, beginning in FY2013 and continuing through FY2021. The goal of the cuts was to reduce the budget deficit by \$1 trillion.

³⁰ [Placeholder for Thompson's discussion of Build Illinois(?)]

³¹ [Placeholder for *Handbook* cite on Class X, and Thompson's discussion of the bill]. On the popularity of the bill, as well as regret over mandatory minimum sentences, see Jim Edgar, interview by Mark DePue, June 9, 2009, Volume I: 244-245. Unless otherwise indicated, all interviews cited in the notes were conducted as part of the Illinois Statecraft Oral History Project, Abraham Lincoln Presidential Library, Springfield, IL.

Czaplicki: Build Illinois was a bonding program, but you would still have to raise the revenue to retire the bonds?

Mandeville: Yes. It was a bonding program, right. Prior to that, the Illinois Building Authority would issue the bonds. I have one case where we defeased—and I was going to tell the governor it's not a bad word—the bonds. Let companies bid on buying sufficient federal securities with a known maturity and a known interest payment that would be sufficient to retire all the bonds as they come due. That's what defeasance is. The IBA had a lot of bonds where the debt service fund was overfunded. We put out a request for bid, for companies to come in, and said, "Okay, there's \$114 million in the sinking fund. What do you bid to buy all of the federal securities necessary to pay the principal and interest, and then retire, ultimately, the following series of bonds under IBA?" The low bid was \$89 million. I took the difference and got \$25 million. I wrote a memo to the governor and said, "Here's a birthday present. This was never considered in our general fund revenues. We're defeasing these bonds. The advantage is they become automatically triple-A, the highest rating you can get." They were A or double-A up until then. "And you don't pay any more debt, and your total in debt is decreased"—

Czaplicki: Because the bonds are off the books now?

Mandeville: They're off the books. "And you've got a \$25 million bonus. Happy birthday." And sent the memo out.

Czaplicki: No wonder he kept you around. (laughter)

Mandeville: You can't do that very often, though. There were limited bonds like that. But see, that's the innovation, where a guy like Kolhauser and maybe Smith would look into that and find it out. We hired a guy from outside, Jack Link, to actually do the analysis. He was a CPA. He came up with the data that allowed us—we knew there was a difference between what it would take to buy the federal securities and what we had in the sinking fund, and the difference could be put into the general fund for other projects.

Czaplicki: Let's go back to Paula Wolff for a minute. If I understand correctly, she also got hired at the Bureau of the Budget in 1969 by Ogilvie.

Mandeville: She did, and I'm trying to think. I think it might have been in the planning section.

Czaplicki: Would she have been a division head, or did she come in under a division head?

Mandeville: I'm not sure what her function was. But she was, yes, under Ogilvie. You said in '69, right?

Czaplicki: Sixty-nine.

Mandeville: Under Ogilvie, yeah.

Czaplicki: It's just so interesting, because both of you would go on to have extremely long, distinguished careers, and you're arriving in the same bureau, in the same year.

Mandeville: I had very little to do with her under Ogilvie. I was not the director. I was the division head, and I had a specific job to do. I think that she headed the planning, but I'm not sure of this. We had an adjunct to the bureau, which was the planning group, who told us what things should be like in 2040, or maybe 2100. (laughs) Not that far. Sometime in the future.

Czaplicki: About how big was the division, how many people did you have under you at that point in time?

Mandeville: Because of the nature of it, I probably had about ten or fifteen, and they were mainly secretarial. The preparation of the budget, the actual physical putting together of the budget from the data we collected, was basically a clerical function. In those days—you'll laugh at this—we cut and paste. Then we sent it to the printer. Nowadays, everything's on the computer, of course. In later years, it was all on the computer. But then, it wasn't; it was cut and paste, and we had a manuscript that looked pretty bad. We got it back from the printer, the proofs, and it looked pretty normal then. Phillip Brothers was the printer.

Czaplicki: That's what I was going to ask you, if the state had a printer or if it went to a private company.

Mandeville: It was private, yeah. No, we did not have one, at that time at least.

Czaplicki: How often would you bid that contract?

Mandeville: I don't know. We didn't do it, so it must have been CMS. I don't know who bid it. We analyzed responses to RFPs for the bonds, but not for most stuff.³²

Czaplicki: Of course, the following year, so not too long after you get there, Illinois has a constitutional convention.

Mandeville: Right, 1970.

³² Request for proposals (RFP). In 1982, Thompson merged the Personnel and Administrative Services departments to form Central Management Services (CMS), consolidating information technology, procurement, personnel, and other state administrative functions in a single agency.

Czaplicki: So we're going to have some major changes. From your standpoint, how did that 1970 constitution affect the budgeting process?

Mandeville: It allowed the budget to be what it was under Ogilvie after the first year. In the first year, all of the agency requests went to the General Assembly, to a commission, before they came to the governor. Which is strange.

Czaplicki: Was that the Illinois Budget Commission, because that was a legislative agency?

Mandeville: Maybe it was, yeah. Frank somebody and Ted Lechowicz were in there.³³ The General Assembly would go to the agencies and ask for their budgets. They would submit them to that commission, which would review them and make their comments, and then they would come to the Department of Finance. In those days, Vernon Shontz was a branch chief, the budget guy, in the Department of Finance. When John McCarter came, he was the director of finance and the head of the bureau. But the main thing for the 1970 constitution, it made it very clear that the budget was an executive budget, and nothing went to the General Assembly until the governor decided to send it. I mean, within the deadlines he had to submit it.

I may have told the story of John McCarter with Ted Lechowicz and the Budgetary Commission. They called us down and said, "The agencies aren't giving us any budgets this year." This would have been the '72 budget. John said, "No, they're not." Lechowicz said, "Well, they are required to send us these budgets." Ted Lechowicz was a big guy from Chicago, a Democrat. He looked at McCarter; he said, "Are you going to give us those budgets?" McCarter said, "No." And that was the end of it. Because the constitution backed McCarter up. It made it a very strong executive budget. What the General Assembly could do then, under the finance article—I think it's Article VIII—they could look at it and do whatever they wanted with it, and send it back to the governor. But he had much stronger powers which enhanced the executive budget: line-item veto, item reduction veto, veto the whole bill; he could amendatory veto it, he could change the language.

Czaplicki: Right, and that gets added in the constitution.³⁴

³³ In 1972, the Illinois Budgetary Commission was superseded by the Illinois Economic and Fiscal Commission, with Mark Lincoln Chadwin continuing as director. His staff consisted of Arthur Cavender, R. Lawrence Costello, Lucille Koval, and Frank Phillips. During the Thompson years, the commission's directors were Raymond Coyne (1977-78), Marshall A. Langberg (1980-1986), Paul Vallas (1986-1990), and William G. Hall (1991-92). Rep. Daniel M. Pierce (D-Highland Park) was chairman of the commission from 1979 to 1983; Sen. Dawn Clark Netsch (D-Chicago) and Rep. Thomas Ewing (R-Pontiac) then took over and shared leadership until 1990. Sen. Thaddeus Lechowicz (D-Chicago) gained a seat on the commission in 1985 and remained for the rest of Thompson's tenure.

³⁴ [Placeholder for "Veto power" entry in *Handbook*(??)]

Mandeville: Yes. The General Assembly was required to pass an appropriation within their revenue estimates. So they had their own revenue estimating, and they did, I think, take into account lapses. Let's say the general fund had a \$35 billion appropriation, but \$2 billion was going to lapse and be spent during the lapse period, and they made a twelve-month estimate from July one to June thirtieth. They could count the money that wouldn't be spent through June thirtieth, and pass appropriations equal to that.³⁵

Czaplicki: So they weren't required to make their appropriations based on the Budget Bureau's revenue estimate?

Mandeville: No.

Czaplicki: They had their own revenue estimate?

Mandeville: Yes. The Fiscal Commission. You said Budgetary Commission. It's called something different now, but...

Czaplicki: There was the Budget Commission. There was also a Legislative Audit Committee that's later—

Mandeville: It wasn't the auditor. The audit was after the fact. This was an Economic and Fiscal Commission. They did the estimating for the General Assembly. The media would compare our estimates with theirs. If ours were higher, then the General Assembly leaders would say, "They're being optimistic." If it was lower, they'd say, "They're hiding money." (laughs) Whichever way, you couldn't win. But we were always very close, the bureau and the IEF, within like 1 or 2 percent.

Czaplicki: Did you ever see their formulas? Do you know what they were basing their estimates on?

Mandeville: Yeah.

Czaplicki: How did it compare to your model?

Mandeville: Basically no difference because it's almost the same.

Czaplicki: Different data?

³⁵ Although the state's fiscal year runs from July 1 through June 30, Section 25 of the State Finance Act provides for a period of time in the new fiscal year when the comptroller may issue warrants to pay liabilities incurred during the prior year. The comptroller charges them against the prior year's appropriation even though new fiscal year revenues may actually be paying them. This interval is called the lapse period, and it ran from July 1 through August 31 until 2011, when the General Assembly temporarily extended it through December 31. In August 2012, this extension was made permanent.

Bureau of the Budget General Fund Revenue Projections³⁶

FY	Projected	Actual	Error	Pct. Error
1978	6,212	6,223	-11	0.18
1979	6,735	6,973	-238	3.53
1980	7,404	7,442	-38	0.51
1981	8,117	8,099	18	0.22
1982	8,803	8,265	538	6.51
1983	8,814	8,437	377	4.47
1984	8,383	9,707	-1,324	13.64
1985	9,647	10,317	-670	6.49
1986	10,484	10,583	-99	0.94
1987	11,191	11,057	134	1.21
1988	11,477	11,620	-143	1.23
1989	11,860	12,133	-273	2.25
1990	12,165	12,841	-676	5.26
1991	13,770	13,453	317	2.36

Mandeville: No. We came very close. You can take the economic data that you have. You can take your models. But in the end, you make a subjective decision of whether or not you believe that. Like, what's the stock market going to do today? You have all the variables. You have all the past history—what they did in December, what they did from a certain level, and what they did after three days of decline. But you still will be wrong. You might not be wrong directionally, but you'll be wrong in magnitude. Anybody will be. It's down today, but by the end of the day, it could be up—one bit of good news. Revenue is sort of like that. At the end of all your scientific devices you use to estimate revenue, you still make a judgment at the end. Is this too high or too low? That's what goes into the budget book. The Economic and Fiscal Commission would do the same thing.

Now, they might have been influenced, I don't know, by the General Assembly: "We need more money; put it up half a percent." Thompson never told me to do that. He let me do what I wanted to do. Then he would say, "Is

³⁶ Figures in millions. In 1980, the executive budget summaries began listing lottery funds and other transfers as revenue streams separate from state and federal sources. Since these transfers were not included in the FY1978 and FY1979 projections, they are excluded from the actual revenue for FY1978 and FY1979. Including these transfers would boost the actual revenue to 6,342 (1978) and 7,056 (1979). The 1992 budget summary estimate was used for 1991 actual revenues. The average error during Mandeville's tenure under Governor Thompson was 3.49 percent of total general fund revenue. The large "miss" in 1984 reflects a temporary increase in state income tax from 2.5 to 3 percent for individuals and 4 percent to 4.8 percent for corporations, which the GA passed after the bureau's projection. Excluding 1984, the average error was 2.71 percent.

this all we got?" (laughs) But he wouldn't say, "Change it." He never did. I'm glad he didn't, because I probably wouldn't have stayed.

Czaplicki: One of the functions I read Paula had was that she was sort of Ogilvie's eyes and ears out on the floor at Con-Con, even while she was still in Budget.³⁷ So I'm wondering, did you have a role in Con-Con, or any of the reforms that were being proposed, or any of the language?

Mandeville: No. Paula may have been around before Ogilvie. I don't know. She's a sharp gal. As far as I know, she's still doing something up in Chicago. I'm not sure what. No, I had nothing to do with Con-Con. I was interested in it and following it. I was happy to see the executive budget come out so strong.

Czaplicki: Were there things that you wish were in there that ended up not being in there? Was there anything you'd take out?

Mandeville: No, I don't think so. I think it was a strong budget from the executive view, and it still gave the General Assembly what they are supposed to do, legislate, and not form an executive budget.

Czaplicki: You also got into this a bit. I was hoping you would clarify the relationship between Bureau of the Budget and some of these other agencies that have financial functions. One, of course, is the Department of Finance. That had been around since 1917.

Mandeville: That was gone pretty quick.

Czaplicki: So the intent was just that should go away; Budget is going to take over their functions?

Mandeville: And it did, yeah.

Czaplicki: Is that why Ogilvie gave McCarter the acting directorship? Because he was director of Bureau of the Budget, but he was also acting director of finance at the same time.

Mandeville: The problem was, until sometime in the summer, there was no BOB. The budget was under the Department of Finance, so McCarter really had to have that title to have the budget. I don't know how long it stayed, but my guess is it went with the bureau being created.

Czaplicki: I think it might have been around for one more year.

Mandeville: Yeah, I think it was.

³⁷ The claim is in Kathleen Best, "Paula Wolff: Conscience of the Thompson Administration," *Illinois Issues* (June 1990), 12.

- Czaplicki: That helps. I also know an important responsibility of Finance was implementing something called IMPACT 70s, which was the state's five-year plan for developing a centralized computer system. They also created a data processing center for state agencies. When you first got there, was it the Department of Finance that was doing your number-crunching on their computers? Or did Budget set up its own?
- Mandeville: Hmm. I don't know. We did our own revenue estimating.
- Czaplicki: The people who ran the center were John Gentile, and later, Isabelle Crawford.
- Mandeville: Yeah, I knew both John and Isabelle. My guess, and as far as I can remember, they were all part of the same organization, really, even though they were separate statutorily. I think the Finance Department was gradually phased out, and its functions went to different places. Maybe CMS, maybe Revenue, maybe the Bureau, and maybe somewhere else. I believe that CMS ended up with the computer thing. In '73, when I went to the comptroller's office, we actually implemented the computer system within the comptroller's office. We had about fifteen months. I went there in April '73, and we had to be up and running by July of '74; we had to get rid of the Bendix business machines and substitute the computers.
- Czaplicki: Before we get to the comptroller's office, you mentioned in '73, before you moved over, that you actually stuck around at the Bureau of the Budget for a while.
- Mandeville: With Walker, yes.
- Czaplicki: With Walker, to help him prepare his first budget. So this would have been the fiscal year 1974 budget?
- Mandeville: Right.
- Czaplicki: I read in your autobiography that you were the only member of Ogilvie's budget team who stuck with Walker. Everybody else left. Why do you suppose they didn't stay, and why did you stay?
- Mandeville: George Ranney, of Iverson Steel Company fame. George was definitely Republican, in all ways. Of course, Walker was a Democrat. John Cotton, who was the deputy under McCarter, and John McCarter, were a team, a close team, very much like Kolhauser and I became later. I think they were tied very much—my guess, I don't know this for sure—emotionally to Ogilvie, and couldn't really work for the guy who beat him. In fact, as I say in here, we actually met up in Chicago at one of the restaurants and decided we were

going to organize a clandestine organization to record all of Walker's mistakes. (laughs) About seven of us. Well, the seven leaders.

Czaplicki: That's right. Yeah, you called it a shadow government.

Mandeville: We were going to put out newsletters. (laughs) We were serious at the time. It never happened, because McCarter went on to the grain place, DeKalb, and Cotton left. Troy Murray went back to Massachusetts. Brad Leonard, I'm not sure where he went. But I think they just didn't want to stay. I looked at the bureau as a career, and I felt I wanted to stay and keep doing what I was doing.

It was an unusual budget process with Walker, but he was smart, and he backed us. He trusted me, and he let me come to the mansion and brief him. He'd say okay, then I would go back and brief the bureau. It was a double thing. But Walker was like that. He just didn't trust people very much, except, of course, Vic deGrazia and Bill Rosenberg, the people who were closest to him. But he put together, we put together, a budget that was tight but doable. Walker would call the agency directors in, and I would be there, and he would back us and say, "Look, I'd like to give you this. I just can't do it this year," and he wouldn't give it to them. As far as I know. He may have given a few that I didn't know about. (laughs) I stayed until April. In those days, you submitted the budget to the General Assembly quicker than they do now. I think it might have been the first Wednesday in March.

Czaplicki: Were there any conflicts that you had with Walker over spending priorities or his understanding of what you could do?

Mandeville: Not at all, no. No, we got along very well. He had steel blue eyes that could look right through you. But I just told him what I thought, and he accepted it. He later did things that I would not have done, probably. He created the lottery, for example.

Czaplicki: And you wouldn't have done that?

Mandeville: I'm not sure. I can't say I wouldn't have. It brings in about a half a billion a year or so. But right now, it's sort of spreading too far, I think. It's getting into slot machines everywhere and off-track betting and so on, which they had before but is now spreading much wider than it ever was, I think, intended to.

Czaplicki: Would there be a better source of revenue?

Mandeville: Taxes.

Czaplicki: Taxes?

Mandeville: Sure. Income tax. It's the fairest tax. They keep raising the sales tax because they can, by referendum, and sometimes by law if they're not at the limit. But the income tax is largely based on ability to pay, more so than the sales tax. If you make nineteen thousand a year, you pay the same sales tax as I do, making eighty thousand. It hits the poor. If you're going to increase the sales tax, you should have a relief valve for the poor, like a tax credit.

Everyone does, by the way, get a tax credit for the sales tax in Illinois. It's not a credit, but it's a reduction in income that is taxable. A lot of people don't use it, because you can choose sales tax or income tax, and then property tax. But if you choose income tax, you can't also choose sales tax. Since I pay no state income tax, because all my income is retirement and that's exempt from state tax, I always choose the sales tax.

I take that back; it doesn't help the poor, because they don't itemize. By and large, anyone making less than thirty, forty, fifty thousand will take the standard deduction, which is around nine thousand for a couple. So they wouldn't even itemize, probably. But there ought to be some consideration of the low-income paying the sales tax. I think that Romney was right; a good percent never pay an income tax, because they don't make enough money. Not because they don't want to. They would like to make more money and pay income tax. But they do pay the sales tax in Illinois, and it's quite high. What's it in Chicago? Probably 8.5 percent now.

Czaplicki: Ten to eleven, depending on where you are in the city.

Mandeville: See, that is *much* more than they would *ever* pay in income tax, even if they made forty thousand. Their effective rate would not even be that high by the time you take off their deductions, or the standard deduction, and the personal exemption; it wouldn't be anything near that.

Czaplicki: So would the objection to the lottery be that it is also something that hits the poor disproportionately?

Mandeville: It hits the gamblers; it hits people who may be addicted to that. I don't really know, but I would say that there are probably people who are dreaming of winning the lottery, and they probably spend more than they should. There's certainly a possibility that they would spend money that should have gone to a pair of shoes. I don't know that, but I'm saying that is possible. And that's wrong. It shouldn't be the case. If you're hopeful, if you're making thirty thousand a year, and you're barely making it, you probably want to take the chance to win a million, or seven hundred thousand, or some amount.

Czaplicki: This first budget that you worked on, fiscal year '74 budget, was that the first budget that benefitted from federal revenue sharing? Because that got passed in '72.

Mandeville: Yes. In fact, I remember our first check on revenue sharing came, and the Walker administration received it. The governor called me up and said, "Okay, what's this?" I said, "That's revenue sharing." He said, "What do I do with it?" I said, "Give it to me. I'll take it to Luke Lavin and Don Smith in the treasurer's office, who will deposit it." He said, "Wait a minute. Photographers." He called in the photographer. Took a picture of Walker holding the first check, which was in the millions—ten, fifteen million, something like that. Yeah, it was the beginning of revenue sharing.

Czaplicki: How important of a revenue source was that?

Mandeville: Not that much. Revenue sharing alone? I'm not sure. Title XX got up to like \$120 million. It's important, but on a tens-of-billion-dollar budget, it's at the noise level. But still, any amount is important.³⁸

Czaplicki: And it was a block grant, right? You could use it on anything.

Mandeville: Any way we wanted, yeah. Title XX was also a block grant, in the sense that you had to spend the money first on anything you could construct to be a social program, then you got reimbursed. Once it got reimbursed, it was state money. George Lindberg was my boss in the comptroller's office. I got a call from him sometime after he left office. He was then a federal judge of the northern district.³⁹ He said, "Bob, I've got a question for you. When the federal government reimburses the state for Medicaid spending, whether it's Title XIX or income maintenance, is that federal money or state money?"

The reason he asked: John D'Arco was on trial, and they were deciding whether to take it to federal court or state court. I said, "It's state money, obviously. We spent the money. When they send it back, it's our money, because we already spent our money, and we can spend it any way we want." He said, "That's all I want to know. Will you do a deposition?" I said yeah. So a couple of guys came down and I told them the same thing. It's clearly state money, so Lindberg threw out the federal count. I think D'Arco was still tried on a state violation of law.

³⁸ The Omnibus Budget Reconciliation Act of 1981 amended Title XX of the Social Security Act to create a fixed pool of money that would be distributed as block grants to the states, on the basis of population, to provide social services. This program is known as the Social Services Block Grant Program. States have some important restrictions on how they spend the grants, such as a ban on providing most forms of medical care. Illinois received \$70.3 million under the program in FY2012. Karen E. Lynch, "Social Services Block Grant: Background and Funding" (Washington, DC: Congressional Research Service, 2012).

³⁹ George W. Lindberg (R-Crystal Lake) served in the Illinois House from 1967 to 1973, when he became the first state comptroller. He considered running for the gubernatorial nomination in 1976 but deferred to Thompson and ran for reelection as comptroller, losing to Michael Bakalis. After this loss, Lindberg was appointed deputy state attorney general, then won election to the Illinois appellate court in 1978, where he served until President Bush appointed him to the federal district court in 1989. At the time of this interview, Lindberg still served as a senior judge. Federal Judicial Center, *Biographical Directory of Federal Judges*, <http://www.fjc.gov/servlet/nGetInfo?jid=1399>.

Czaplicki: I don't recognize the name. What did D'Arco do?

Mandeville: John D'Arco? He's from the 1st Ward in Chicago. I heard he once told one of his fellow senators something like, "If you don't vote for my bill, I'm going to get you a pair of concrete shoes." (laughs) Something like that.

Czaplicki: But this wasn't the concrete scandal, was it? The road pavement scandal?⁴⁰

Mandeville: No. I don't even know what the issue was.

Czaplicki: But it involved the medical reimbursement, the Title XIX reimbursement?

Mandeville: It involved Medicaid and the reimbursement. But they were using the fact that it's federal money for whatever the federal jurisdiction was. My point was that was state money.

Czaplicki: Of course, in order for you to be preparing this budget for Walker, that meant that Ogilvie had lost in the '72 campaign.

Mandeville: Right.

Czaplicki: You had mentioned earlier that that was maybe the first time you had gotten active in a political campaign. What was your role in the campaign? What kinds of things did you do?

Mandeville: I would give talks for him. I would go up to Uptown and talk to people about mental health, because that was allegedly a dumping ground for releases from mental health facilities. I'd go up and talk with them, and give a talk and tell them what Ogilvie was doing. That was basically the extent of it.

Czaplicki: No advice on the trail or behind the scenes?

Mandeville: No. I never went on trail with him. I didn't know any of the governors personally. I mean, I did, but not in a social sense, only as it related to the job.

Czaplicki: What motivated you to get involved in that campaign?

Mandeville: I believed in Ogilvie. I thought he was a great governor, one of the best we've had. I would do whatever it took. I would do something to help him. He asked me to do it; I agreed to do it. I only did one or two of these. I don't even recall

⁴⁰ In 1972, several state legislators accepted bribes to pass a bill increasing the max weight for concrete trucks on state roads. The resulting scandal was also notable for Jim Thompson's controversial decision to offer immunity to Lester B. Crown, who had provided most of the bribe money. See [Placeholder for JRT interview with Mark(??)] In the case Mandeville is discussing, D'Arco accepted a bribe in 1989. He was charged as part of Operation Gambat, the FBI's investigation into wide-ranging corruption centered in D'Arco's 1st Ward.

why, but I think I was filling in for someone who probably would have done it and couldn't for some reason.

Czaplicki: So why did he lose?

Mandeville: He lost for two reasons. He vetoed an IEA bill, education bill, that they wanted, and they're a strong lobby and have a lot of voters. And his director of EPA implemented no leaf burning, which killed him downstate, I think.⁴¹ It's a minor thing, but it was important to a lot of people when they couldn't burn their leaves on the curb anymore. I think those were the two things that beat him. In fact, analysts will say that had the election gone on another two weeks, he would have won. He was closing the gap. I think it was something like fifty thousand. I don't know the exact number.⁴²

And Walker was a populist. He was a new guy. He was a business guy, major attorney for Marcor. He brought a new thing into government. Ogilvie had implemented the income tax, which hurt him also, even though it was a courageous thing to do. Politically, it was not good for him. Those three things, I think, beat him. I think he still would have been elected had the election gone on a bit more, because he was closing the gap.

Czaplicki: Obviously, you prepared the new budget during the transition. Did you have any other duties in the transition process? Did you instruct his incoming directors or brief them?

Mandeville: Only by telling them they couldn't spend as much as they wanted. I dealt with them the same way I dealt with them in the fourteen years under Thompson. I met with them. I listened. I told them how much I would recommend to the governor. If they weren't satisfied, we could go together to the governor on appeal and let the governor decide. Very few of them wanted to go to Walker. (laughs)

Czaplicki: Really?

Mandeville: They're new. They weren't sure of their job. I didn't care, because I had a job with Lindberg anyway in a few months. I don't know if you saw the letter from Walker, but he offered me two jobs to stay, either deputy director of the bureau or deputy secretary of transportation.

Czaplicki: So you were essentially acting as director of budget at that point. You prepared the budget—

⁴¹ For the political fallout from the EPA's attempt to regulate leaf burning, see Jim Edgar, interview by Mark DePue, May 28, 2009, Volume I: 126-128.

⁴² Walker defeated Ogilvie 2,371,303–2,293,809, a margin of 77,494 votes. State of Illinois, *Official Vote Cast at the General Election*, November 7, 1972.

Mandeville: I never had the title, but that's basically what I did, because by the time Hal Hovey came, the budget was prepared. You asked a question about computerization. We had our own in the bureau. When Hal came, he said, "Where are you on the budget?" I pulled out the computer printout and said, "Here we are. Here are the agencies. Here's the revenue, here's..." He said, "You don't need a staff here." I said, "Yes, we do. Where do you think the data came from? They didn't give it to us voluntarily." (laughs) We did have a computer, our own, and the treasurer did also. Then the controller did not, and we implemented one when I went there.

Czaplicki: Okay, I'll touch on that in a second. You're essentially acting as the director, and Walker clearly wanted you to stay. Did he ever make you a formal offer to be the budget director? Or was that going to Hal Hovey?

Mandeville: No, not to be the director; to be the deputy, the second in charge of the bureau.

Czaplicki: And he did make that offer?

Mandeville: He did.

Czaplicki: Or go to IDOT.

Mandeville: As deputy secretary, yeah. I think he meant second in command, but deputy can mean something else too. (laughs) Like a political appointment.

Czaplicki: Do you remember what computer system you had? What kinds of machines you were running?

Mandeville: Did they have PCs then?

Czaplicki: I don't think so. I think it's still a little too early.

Mandeville: You know, we may have had business machines now that I think of it. We had something where you could input the data, do analysis and calculations, and submit out a response. It may have been business machines.

Czaplicki: But no more punch cards?

Mandeville: No punch cards, no. We keyed it in. I left the punch cards when I left NASA.

Czaplicki: In April '73, you leave the Bureau of the Budget, and you move to the comptroller's office under George Lindberg, where you served as deputy comptroller until 1977. Why did you make that move? Was there something about that new office that was appealing to you?

Mandeville: George Lindberg asked me to come, and I said I would.

Czaplicki: He was the first comptroller, so this was a new office.

Mandeville: Yeah. It's the old auditor of public accounts, but it was enhanced under the '70 constitution. Since Ogilvie was defeated, my job was not certain that I would have it. I knew very quickly that I could stay if I wanted to, because I worked well with Walker. I had no problems with working with him. I really didn't care if the governor was Republican or Democrat. My only requirement was that I respected the guy and I could learn something from him. If those two things were there, I'd work for a pagan—no, that's a religion. I'd work for an Independent. (laughs)

Czaplicki: What's the relationship, then, between the comptroller's office and the Bureau of the Budget? How did your responsibilities change when you changed jobs?

Mandeville: It was contentious, because Lindberg and I believed the comptroller became a watchdog for finances under the '70 constitution. We developed a thirteen-point model that could tell people what was going on. We got a lot of press out of that; we could predict ending balances, and we did so publicly, and they were printed in the paper. And we were normally fairly close. But the bureau would say, "Oh, no. They're wrong. The comptroller doesn't know what they're doing," and we'd say the same thing of them. Their estimate is too high or too low. But we would make our own independent estimate, because the ones who had done it in the bureau went with me to the comptroller's office.

Czaplicki: So you did take your staff with you?

Mandeville: Kolhauser, Smith, Dan Cavanaugh, and others, yeah. There are still seven of us, by the way, who meet once a year at Smokey Bones.⁴³ Actually just met last month. We've been doing it for about ten years. We were the seven who really implemented the computer in the comptroller's office.

Czaplicki: I was reading the blue books. The blue books are often interesting because you get the agency's self-perception. At the time, the Department of Finance still existed, so it hadn't gone away yet. I read that as basically Budget. They say that their accounting division "established uniform accounting standards for the entire executive branch, including the offices of elected officials." But then you read the comptroller's entry, and they're bragging about the uniform, statewide accounting system, CUSAS, which it calls "the state's first centralized accounting system." On one hand, you have budget saying, "We have accounting standards," but you have the comptroller saying, "No, we're the first accounting standard."

Mandeville: Budget never said that.

⁴³ Smokey Bones is at 2660 S. Dirksen Parkway in Springfield.

Czaplicki: Finance said that.

Mandeville: Finance said that.

Czaplicki: Were they wrong? Did they not have a uniform system?

Mandeville: They had a system. I don't know if it was uniform or not. I think Jim Norris was head of the information systems within Finance. How can I explain this? There were systems each agency had that were probably within whatever criteria Department of Finance set up, but were not compatible, necessarily, with one another. For example, Revenue had a system for issuing income tax refunds, and they actually issued the tax refunds. Under the '70 constitution, that function fell to the comptroller. We had a meeting with [the departments of] Revenue and Finance. The Bureau of the Budget wasn't involved, so Finance was still there in '73, in some fashion. We said, "From now on, we're going to issue refunds." They said, "No, we still issue them." We said, "Well, try us. We're going to issue them." So we did. We issued them, but we had to create a system to do that. So in July of '74, we began issuing income tax refunds. We had a system for all the warrants, a new system for payroll. All payroll checks are issued now by the comptroller's office.

Mental Health had a good accounting system when the comptroller issued what they called CUSAS, the Uniform Statewide Accounting System. We let them keep their system, which was probably compatible with what Finance had, and then we created a conversion program that would convert it to the comptroller's CUSAS. But in the end, every voucher reached the comptroller's office in a consistent format. I don't think that was happening before. I think different agencies issued their own warrants or checks, and then somehow Finance got hold of it. I frankly don't know much about their system, but if they say they had one, I'm sure they did. But we were required, under the Comptroller's Act, to do this, to be the central issuer of all warrants. That's why the refunds were an issue, because that was a big item of activity. I don't think there's any warrant that goes out now that isn't issued by the comptroller office. Finance wasn't issuing all the checks. I think the auditor of public accounts and the treasurer [also were]. All warrants are cosigned by the treasurer. It's issued by the comptroller, or, before, the auditor of public accounts, and then countersigned by the treasurer. He had his own system, too, of revenue and spending.

Czaplicki: So it took a little bit of a struggle to establish your role in this?

Mandeville: It did, but once we agreed to conversion programs, for those who had a good system running that could easily be changed—[for example] without disrupting all the many facilities that Mental Health had—it went pretty easy. We did a turn the switch, fail/no fail. If it fails, we're in trouble. If it didn't fail, we're lucky. And it didn't fail. On July 1, 1974, we began issuing everything.

- Czaplicki: And it never had to go to the courts for a constitutional interpretation?
- Mandeville: No. I think the constitution is very clear on the functions of the comptroller. Others can do what they want if the governor says they can, but the comptroller is independent. Maybe that's another reason: Finance was under the governor, whereas the comptroller issues judicial, General Assembly, and executive warrants for all three branches. They're independent, in that sense, from any other political party or office.
- Czaplicki: Did the 1972 Comptroller's Act add any functions, or did that just clarify what the constitution—
- Mandeville: Yeah, it clarified, expanded on it.
- Czaplicki: You talked a little bit about your public rhetoric, publishing your estimates and what you think the account should read. I was struck by the language of the comptroller. In the blue book, it's constantly talking in terms of disclosure and transparency. It's really reinforcing Lindberg's policies. There's a line in there where they talk about “putting state spending in a public fishbowl.” They claim that opening all state contracts for public inspection exposes a historically “dark corner of state spending.”⁴⁴ (laughter)
- Mandeville: Is this the write-up for the comptroller's office?
- Czaplicki: This is the write-up for the comptroller's office. It's clearly this self-perception of the watchdog, really embracing this idea.
- Mandeville: Sort of like my dissertation. Self-perceived importance.
- Czaplicki: Yes. Do you know who was writing this stuff?
- Mandeville: I don't. There was a PR person there. I can't even remember who it was.
- Czaplicki: So they weren't coming around and asking you, “What do you think you're doing?”
- Mandeville: They probably read the Comptroller's Act. Well, no, we did actually publish a document, “Thirteen Steps to Fiscal Solvency.” I can probably get it and bring it and show it to you. That showed how we did what we did and what the result was. For example, Lindberg came to me during the '75 and '76 political race for governor, and he said, “I don't care who it is. You tell either Thompson or Howlett straight, what the situation is. Don't bend it one way or the other for one or the other.” I really respected him for that, so we could tell them what we felt the situation was, no matter who it was.

⁴⁴ Illinois Secretary of State, *Illinois Blue Book, 1975-1976*, 459.

Czaplicki: I hope we'll talk about that in a minute. But just a couple more questions about Lindberg. How did Lindberg come up with his policies? Did he just give you guys marching orders? Did you have a lot of discussion? What would you say his leadership style was?

Mandeville: His leadership was, I think, hiring people and letting them do their job. He didn't worry too much about the finance or the operation of the computers, the issuing of warrants and so on, unless there was a problem. He was definitely the front man. He was the comptroller, and I don't know that he actually set policy, but he was a very fair person and I think just wanted to follow what the law required him to do. But on finance and operation, he let me handle that, and I in turn had people who knew what they were doing, who could do it. To me, the success of a leader is to hire people smarter than him and let them do their job. Don't interfere very much with them. And Lindberg was that kind of a boss.

Czaplicki: I guess I was thinking more in terms of broad policy. For instance, when the comptroller's office decides to start publicizing and making available for inspection state contracts, is that something he thought up, or is that something the staff thought up?

Mandeville: I think we probably brought it to him, but he endorsed it completely. He was 100 percent behind us in doing it. He didn't question, second-guess, how we did it or what the result was. He believed in us and let us do it. I think he gained from it, because he was the comptroller; whatever we did, he got the credit for, which is how it should be.

Czaplicki: I think you can make a pretty clear case that those themes are also good politics at this time.

Mandeville: Oh, yeah.

Czaplicki: You have the Kerner trial. You have Watergate. You have Thompson's earlier prosecutions in Chicago.⁴⁵

Mandeville: He actually prosecuted Kerner. From everything I can read and hear people talk about, Kerner was a good guy. But I don't think [Theodore] Isaacs was. He was the revenue director. A lot of people believe, or I've heard at least, that he was the one that had Kerner's daughter, or whoever it was, buy the racetrack stock. Not Kerner himself. But being a governor, he took the hit. Like Ryan—most people probably think he went to jail for stuff he did as governor. He didn't. It was as secretary of state, and the unfortunate accident of the minister and his family up in Wisconsin.⁴⁶

⁴⁵ [Placeholder for JRT's discussion of the Kerner trial(?)]

⁴⁶ In 1994, Ricardo Guzman's taillight fell off as he drove his truck on I-94 in Wisconsin. The part struck Duane and Janet Willis' minivan, causing an explosion that killed their six children. The investigation into the accident

Czaplicki: How did those events strike you personally? Seeing Watergate, seeing the Kerner trial. Here you are working in government. Did that shape your views at all, or did you feel any blowback from the public towards you as a state official?

Mandeville: No. Some good-hearted kidding now and then that I get too high a retirement. My retirement is probably thirty-five thousand or something. They say I get too high a retirement, but they're kidding. The guys I play tennis with like to rib state employees. No, I got no feedback. My personal feeling is that George Ryan was a good man, but he was unaware of what guys were doing, and his inspector general. He was like the board of directors' chairman, then there were the members of the board, and then there were the people who worked for the secretary of state. I liked him, and I still like him. There was a lot of questionable activity, because I believe if you work for a man, you work for him and you back him. If you don't want to do that, quit. Get another job. I'm sure that he was probably guilty in the sense that you can't delegate responsibility, just authority. So he had to take the rap.

Although I've got to tell you, the story goes around that—who was the guy with the shoebox with eight hundred—Paul Powell. The story is that a reporter from the *Chicago Daily News* came to him one time and said, “Mr. Secretary, I understand you control all the canteen machines, the candy machines.” “Yeah, I do.” “I understand you rake 10 percent off the top.” “Yeah, I do.” “Well, what do you do with it?” “I put it in the flower fund. When someone's parent dies, or an employee dies, I send flowers.” “Oh, okay.” Today, they would *crucify* him. But then? So what I'm saying is that I don't believe that George Ryan did anything different than what many of his predecessors did. But he didn't follow the changing of times, and the changing and the attitude and the ability of the press to dig deeper is what got him, more so than he operated any way different than others had.

Czaplicki: Thinking about an official who didn't have these problems, George Lindberg, coming off of this successful initial tenure as comptroller, had designs on running for governor in '76. Did he ever talk to you about his future political plans?

Mandeville: No. He's exactly where he should be: a judge. He's a very fair man. He's analytical. He has good staff in the northern district to advise him, and he'll make fair decisions. He could be a good governor because he's a good man, but he would have to hire a lot of strong people to do it. That's not what he really wants to do, I don't think. I know finance was not what he wanted to do,

revealed that Guzman had fraudulently obtained a commercial license, paying a bribe in exchange for answers to the licensing exam. The bribe proceeds were then directed to the Citizens for Ryan fund, and investigators found that scores of individuals had obtained licenses in the same manner, with prices ranging between \$800 and \$1,200. Matt O'Connor, “18-Month Sentence in License Scandal,” *Chicago Tribune*, February 26, 2000.

really. He wanted to be the comptroller, and I'm sure he had political ambitions, but from what I understand, he's been successful. Maybe he's retired now, I don't know. He was about my age, maybe a little younger.

Czaplicki: Yeah, about a year or two younger. So you guys don't talk these days?

Mandeville: No, I don't. I don't talk with very many of the people I worked for. We go in different social circles. I'm satisfied living in Springfield, helping the kids with their kids, and I have no desire to do anything different. In fact, when I was selected to replace Spagnolo until they got a new state superintendent of public instruction, my comment was, "I don't want to be the permanent guy. I want to sit on the deck that I built a couple of years ago. I want to read mystery books and smoke cigars." So they printed that. Except for the cigars, that's what I do.

Czaplicki: While you were at the comptroller's office, did you maintain any contacts with the Bureau of the Budget during this period?

Mandeville: Oh, yeah. It was normally in an argumentative way, but we had close connections. Len Schaeffer was the one that I remember mostly. Hovey left.

Czaplicki: Lynn?

Mandeville: Len Schaeffer, L-e-n. I think he came from Mental Health; he was their finance guy. He was the one I remember most under Walker. A good man. He was there probably two or three years.

Czaplicki: And he took over for Hovey?

Mandeville: Yeah.

Czaplicki: You don't have quite the same vantage point, you're looking at it from afar, but what did you think about the operation of the bureau under Hovey's tenure, under Len Schaeffer's tenure? Did they do any innovations that struck you as significant?

Mandeville: I think what the bureau does is completely controlled by what the governor does. Ogilvie gave John McCarter full authority to run the budget and the fiscal. Thompson gave me full authority to run the budget and the finance part—the revenue estimating, that kind of thing. I don't know that Walker did this. Walker wanted to hold a tighter rein on the bureau. You can do that as long as you back them on the key decisions. I don't know for sure, but I believe under Schaeffer, the Budget Bureau remained a professional outfit. Later on, I'm not sure what happened.

Czaplicki: So there was someone after Schaeffer as well?

Mandeville: I think there was for a short time, but I can't remember for sure. That was Hovey and Schaeffer, mainly, and then there may have been someone right at the end. Thompson and Edgar both maintained a professional budget shop. I think Joan Walters was professional, and I'm sure hired professional staff. To my knowledge, they didn't fire anybody that we had in the bureau when we left, unless they weren't doing their job. They kept the people. Edgar, of course, followed Thompson, and then Ryan. Ryan probably would have kept the people, mainly, that Edgar had, except for the director.

Czaplicki: It was Joan under Edgar, and then Steve Schnorf took over.

Mandeville: Right. I thought he was connected with Edgar somehow.

Czaplicki: He was. He was with him from Edgar's secretary of state years. Later, he went to CMS, and then from CMS to Budget.

Mandeville: Yeah, and then came back to the budget shop.

Czaplicki: Just very briefly, the Legislative Audit Commission. Where did this fit into the equation? Did it have any role in the budgeting process or any influence?

Mandeville: Not in the budgeting process. Wait, Audit Commission? Yeah. They audited programs and agencies after the fact. Of course, they would audit us too. So I had to go to the Audit Commission once or twice and respond to the findings that they had. I would also sit in, time to time, when certain agencies were there, to see what the findings were. I had access to the books, but it was easier to listen to the exchange. Bill Holland was there forever, it seems like. Still there, as far as I know. He was a Democratic staff person for the Senate before he became the auditor general. As far as I know, he's been there at least twenty-five years.

Czaplicki: But budget could audit too, in a sense.

Mandeville: Yeah.

Czaplicki: And the comptroller can audit as well, right?

Mandeville: Yes.

Czaplicki: So the legislature can audit, the executive can audit, the comptroller can audit. Would you have—

Mandeville: Wait, no, that's different. What the Legislative Audit Commission does is basically audit performance of agencies. What the comptroller does is to audit vouchers that come through. They don't audit any agen—

- Czaplicki: So not doing any management-type thing?
- Mandeville: No, no. Except for the local government and the cemeteries, which I'd like to see someone get rid of. But they can audit them and review them and make recommendations.
- Czaplicki: I'm just wondering if there were ever any cases where the three different units focused on the same agency at the same time, and how did that agency get its work done.
- Mandeville: What was the third one? The comptroller and the Legislative Audit Commission?
- Czaplicki: And the Bureau of the Budget.
- Mandeville: We didn't audit. A budget is always forward-looking, never backwards. We can't change the past and we have to control the future, so we're always looking ahead in budgeting. You can use the history to do projections and to get an understanding of how an agency is operating, but you can't do anything about it. So budgeting is looking, what are we going to do in the next year, and it's short range.
- Czaplicki: Could you recommend a cut to make them make changes?
- Mandeville: Recommend a cut for an agency?
- Czaplicki: Right.
- Mandeville: Oh, yeah, all the time.
- Czaplicki: If you looked at the past and said, "Well, you're not really performing up to X standard"—
- Mandeville: Yeah, we could.
- Czaplicki: —would that be something that you did much?
- Mandeville: We probably wouldn't initiate it. Typically, the agencies would submit a budget like \$2 billion over what we could afford with a \$25 billion, at that time, budget. So 10 percent, let's say. We'd go back and we'd give them marks that fit within our estimate of the revenue, and not the total of their request. Then we'd say, "Okay, resubmit at our level, and don't take out any gold watches. We know what they are. You can't eliminate the mental health system, and you can't eliminate Medicaid. You have to keep the programs that both you and we know have to be there." They would send something in, and

they may recommend an elimination of a program. Then we may also buy that as a way to stay within the mark. But if it was something that was important to the governor, or maybe to the program folks, and it was considered critical to their whole concept of government, we wouldn't let them eliminate it. They'd have to do something else. Decrease employment and so on. Before we leave the comptroller's office, do you know who Orville Hodge was?

Czaplicki: Was he the auditor of public accounts?

Mandeville: Yeah.

Czaplicki: Or two functions. Didn't he share two things?

Mandeville: You know what he did?

Czaplicki: I'm unclear exactly. I know he embezzled a lot of money.

Mandeville: He embezzled like a million dollars.

Czaplicki: When he was supposed to be the watchdog. In '56, somewhere around there?

Mandeville: Yeah, about then.⁴⁷ He went to jail. Lindberg spent quite a bit of time up north, and he was gone and I was there, and Orville Hodge comes walking in. He said, "Hi." I said, "Hi. Can I help you?" He said, "I'm Orville Hodge. I just wanted to come and give you a few pointers on running the agency." (laughter) I said, "Wait a minute. I don't think we need these." But we talked. He was a very friendly guy. You'd like him if you met him. He'd been out of jail for a while. He was in town trying to get his real estate license back, and apparently you can't get one if you've been in jail, or at least for a period of time. We had a chat for about five or ten minutes, and then he left.

Czaplicki: Wow.

Mandeville: He was a real nice guy, though. I mean, you would like him, even though he was a crook, apparently, by law, by the judge.

Czaplicki: That was part of the reason why the comptroller got set up in the first place, right?

Mandeville: Probably was. A guy by the name—I think it was Emmit Smith, a professor at U of I, came and took over when Orville Hodge left. Hodge was actually the elected auditor of public accounts at the time.

⁴⁷ Orville E. Hodge was the Republican state auditor who plead guilty in 1956 to numerous charges, including 276 counts of embezzlement. His plea brought an early end to his single term as auditor, during which he embezzled or misappropriated \$2.5 million of state funds. *Chicago Tribune*, August 14, 1956; State of Illinois, Comptroller's Office, "History of the Office," <http://www.ioc.state.il.us/Office/history.cfm#HODGE>.

Czaplicki: We have to wrap up this room by five. It's 4:46 now, so about ten minutes. But I want to talk about the gubernatorial race in '76 a little bit. One thing that interested me was Thompson's attitude about fiscal issues. The campaign actually starts in '75. Thompson announces July 1, 1975, and within two weeks, he goes after Walker. Walker had done an across-the-board budget cut, and Thompson doesn't believe it. He says that what Walker's doing is manufacturing a fiscal crisis. He's making it up, so that later on he can sail in and rescue the state from his own budget. But by October, November, Thompson sounds very different. Now he really believes there is a fiscal crisis, and he's making very grim pronouncements—

Mandeville: October of '75?

Czaplicki: Mm-hmm.

Mandeville: Okay.

Czaplicki: So his whole rhetoric changes. I was curious what had changed in that time. Did he talk to you at all about the state of the state—

Mandeville: Yeah, he did.

Czaplicki: —in '75, or did that not happen until '76? When did you get involved?

Mandeville: I think I've got a picture in here that probably can tell more than all the words I can say.

Czaplicki: I'll give you another date. When I see his quotes start to change, it's October and November of 1975. But in 1976, he met with Lindberg for two hours, and he left that meeting saying he was “sort of depressed.”⁴⁸ (laughs)

Mandeville: He met with me.

Czaplicki: So he met with you?

Mandeville: Yeah. (laughs)

Czaplicki: Was that a joint meeting between you and Howlett, or was that just with Thompson at that point?

⁴⁸ Thompson claimed Walker “has staged a fiscal crisis and then later will rescue the state from his own budget.” Betty Washington, “Crisis is Staged—Thompson,” *Chicago Daily News*, July 15, 1975. Depressed quote is in G. Robert Hillman, “Streamline State Cabinet,” *Chicago Sun-Times*, January 28, 1976. Hillman wrote that Thompson made the statement “after a two-hour meeting here with state controller George W. Lindberg.”

Mandeville: Just the two of us. He made one comment, kind of funny: "I should have run for attorney general." I told him what I felt the fiscal outlook was, and he sat there and he listened.

Czaplicki: For two hours.

Mandeville: For two hours. It was one-on-one, just the two of us. Very informal. He wanted to know the details of it. Thompson was a lawyer, and it seemed to me he might not have been real strong on government and finances at the time he began, but he was such a quick learner that he did it pretty quick. At that time, I don't think he really knew the financial situation of the state.

I mentioned before, for every governor, there's a problem there you got to solve. Walker did it with Ogilvie on the motor fuel tax. We probably did it to Walker in a sense, because he had drawn the balance down from about \$450 million to \$50 million. Edgar did it on Thompson. Again, my view is there is no deficit until after the fact. Because if you think there's a deficit, you can solve it if it's not that bad. Like we were talking about revenue estimating, you've got to tell me the premises on which you base your deficit. If I agree with the premises, then I agree with your figure. But if I don't, I don't agree with your figure. None of these are real figures. They're all in the future. Here's where we are in the available balance, but they can't really talk accurately about future revenue or spending. Spending is under their control. So there is no deficit. There may be a deficit in their mind, depending on how they define it, but they have to say something like that, I think, in order to solve it. There's no deficit, they can't solve it.

Czaplicki: How did this meeting take place? Did Thompson ask for it? Did Lindberg talk to him and then talk to you?

Mandeville: All I know is that Lindberg told me, "If either Thompson or Howlett or their people come in, you talk to them and you give them a straight answer." I said okay. Then suddenly one day, Thompson was there. I think he probably contacted George, because they knew each other. They're both from up north. Lindberg probably said, "Talk to Mandeville, because he knows more about this than I do." Something like that, would be my guess. Thompson came in. Short sleeve, open collar. We just sat there and talked. He asked questions and I responded. By that time, the balance had been drawn down from about half a billion to my projection of fifty million at the end of the term.

Czaplicki: And ideally, I've seen repeated again and again in the newspapers, \$100 million is the minimum that you wanted to hit.

Mandeville: Yeah. Actually, I wanted 4 percent, which would be more like \$400 million at that time.

Czaplicki: Why those figures? What determines the danger zone for you?

Mandeville: If you estimate revenues within 98 percent, and spending within 98 percent, you've done a very good job with the complexity of all the spending and all the revenue estimates. I wanted a 4 percent cushion in case things went bad. The economy, or we had to spend more on Medicaid because of a recession, or get tough on prisoners, you know, the truth in sentencing. But I said we could get by with a hundred. That's only 1 percent. So we've got to be 99 percent accurate in revenue and spending, or make corrections.

I'll have to bring in '91. We wrote a preface to the '91 budget, which Thompson agreed to. He said, "Okay, this is our last budget. Say it like you want to say it." We started off by saying, "We've been here before, *deja vu*.

truth (i.e. agree with their position) that things would be different. In anticipation of these attacks, we've included a brief section on the truths and consequences of budgeting.

Budgeting is a very simple task.

1. You find out what you have in the bank.
2. You estimate your receipts for the budget period.
3. You decide what you want to have in the bank at the end of the budget period.
4. Subtract item 3 from items 1 and 2, and
5. Allocate that amount among programs.

That's all there is to it. That's the truth.

Despite the simplicity of this budget model, the administration, General Assembly, interest groups and the press will spend the next four months examining, debating, and appropriating. Much of it will surround the allocation process. The issues are serious and worthy of great debate. But much of the furor will come from ancillary issues.

The administration's priorities and programs are described in the body of this text. People will have alternate budgets. That is good. People will also spend much time and effort making proposals that simply are not affordable. That's not so good.

A DOUBLE FEATURE HORROR SHOW

Working on the budget is like spending an afternoon watching "Poltergeist II" and the "Attack of the Killer Bees." Just as Carol Anne yelled "They're Baaaack!!!" lobbyists and advocates will soon descend upon Springfield arguing for a bigger piece of the budget pie. We simply cannot escape the recurring issues of educational funding, child abuse, the homeless, the environment, and mental health. In recent years, we've had major funding increases in each of these areas. The problems didn't disappear, but we made progress in serving the citizens of Illinois.

Killer bees have not yet reached Illinois, but the KILLER P's have. Pensions, Public Aid, and Prisons have all made their assault on the state's funds. These programs are not killers in themselves. They are legitimate program needs that deserve as high a level of funding as possible. They can be budget killers because they require large increments to make changes and because of the inability of their proponents to recognize the consequences of

money you've got. You make agencies stay within that limit in the aggregate, and you go ahead. That's all there is to budgeting." Then we say, "Of course, you can't do that." (laughs)

We're going to submit a balanced budget. The General Assembly is going to un-budget it. We're going to put it back in balance. Within a month or two, it will be out of balance." It goes through the three Ps that will kill you: prisons, public aid, and pensions. Instead of the three Bs, it's the three Ps. We say, "Can we really balance the budget? Yeah, if we want to. But we don't really want to. We have to do what we have to do to meet the demands. If revenue comes in short, we've got to raise taxes." And then we end up saying something like, "Budgeting is not a mysterious nuclear science. You figure out how much

Czaplicki: Easier said than done. All right, on that note, I think we'll end today.

Mandeville: Okay.

Czaplicki: Thanks again for coming in, and we'll take a little time off. In 2014, we will convene again. We'll take apart the Thompson administration, the work you did in there, and talk about some of these budgets.

Mandeville: Good.

(End of interview 2)

Interview with Robert Mandeville

IST-A-L-2013-103

Interview # 3: February 10, 2014

Interviewer: Mike Czaplicki

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Czaplicki: Today is Monday, February 10, 2014. My name is Mike Czaplicki, the project historian with the Gov. Jim Thompson Oral History project, and I’m here for my third session with Dr. Robert Mandeville. How are you today, Bob?

Mandeville: Fine.

Czaplicki: Good to see you again after our long break. We ended interview number two by talking a bit about the 1976 election—Thompson’s attitude on fiscal issues. January 27, 1976, you briefed Thompson on state finances for two hours. I was looking back at our transcript, it seemed to you that he might not have been real strong on government finances at the time he began, but he was such a quick learner that he did it pretty quickly. So I was curious what you based that assessment on. Was that just because he had been a US attorney, or did you see something in the kinds of statements he was making in public that led you to believe that?

Mandeville: Not in public, but after about an hour of the briefing, he looked at me and he said, “I think I should have run for attorney general.” I think it was in jest, but I also thought maybe he wasn’t into finance. Thompson’s career had been in Chicago, in political positions—assuming the attorney general up there is political, and I think it is. It’s just a feeling I got talking with him. He asked a lot of questions. They were very insightful. I found out later that I could brief him before a press conference on the budget and other financial matters, the economy. He would go there and not only remember everything I said, but he would embellish on it.

Czaplicki: Yes, this is a frequent statement we hear from other people.⁴⁹ He seemed to have a very large working memory.

⁴⁹ For example, see Jim Edgar, interview by Mark DePue, June 10, 2009, Volume II: 315-316; Arnold Kanter, interview by Mike Czaplicki, December 17, 2009, 29-31.

Mandeville: He was good.

Czaplicki: Coming out of that meeting, then, did you give him any homework to do?

Mandeville: No. George Lindberg, who was comptroller—and we were sort of the ones speaking to the finance of the state at that time—said, “You are to brief both parties. Tell them everything factually. Don’t hold back anything.” So that’s what we did. We briefed Howlett’s people as well as Thompson.

Czaplicki: You did brief Howlett’s people.

Mandeville: Not Howlett himself, but his people.

Czaplicki: Do you recall when you did that? Was that after Thompson or before?

Mandeville: I don’t recall. It was in the same timeframe, though.

Czaplicki: Thompson is the end of January of ’76.

Mandeville: That early?

Czaplicki: Yes.

Mandeville: Then it was in the same timeframe. I think it was later. Probably that summer.

Czaplicki: Coming out of that talk, did you talk about any future briefing sessions where he could come and ask you more questions? Or just the one?

Mandeville: He didn’t ask and I didn’t ask. I just basically followed what Lindberg told me to do.

Czaplicki: So no discussions about your future plans or anything like that?

Mandeville: I had no thought of what I was going to do.

Czaplicki: I was wondering about that, because you were in the Bureau of the Budget, then you moved over to comptroller. But now this election is coming and you don’t really know how it’s going to shake out or where you’ll end up.

Mandeville: I didn’t know, but all my career, I’ve been asked to stay on with the winner. Walker asked me to stay on. Said I could either be deputy director of the budget or deputy secretary of transportation, and I’d already committed to Lindberg to go to the comptroller’s office. But I did stay for Walker’s whole budget process the first year.

- Czaplicki: You helped him put out that first budget.
- Mandeville: Yes. We'll come back to that later when we talk about budgets, but there is a way to do the initial budget that is very important for the four-year term.
- Czaplicki: Yeah, definitely. If I forget to ask, make sure you bring it up, please. You said you had similar meetings with Howlett's people, not Howlett himself. Who was his finance person? Because I know later on, you learned that he would have asked you to be his budget director.
- Mandeville: Yeah, according to the paper, he was going to ask me. He never told me that. I've got an article in here about that. Bill O'Connell out of Peoria did it: "In fact, Mandeville was apparently destined to acquire that headache, no matter how the gubernatorial election had turned out. A top aide to Mike Howlett, who lost the race, said, 'Mandeville was our first choice.'" Doesn't give his name. I think his first name was Don. I can picture him, but I can't think of his name.
- Czaplicki: This story is Bill O'Connell in the *Peoria Journal Star* for December 15, 1976.
- Mandeville: After the election, yeah.
- Czaplicki: What did you think of the campaign in general?
- Mandeville: I didn't know what was going on.
- Czaplicki: Even as an outsider, but someone with an extensive knowledge of state finance, do you think state finances played the role it should have played in that campaign?
- Mandeville: Yes.
- Czaplicki: Did they address the issues?
- Mandeville: Yes.
- Czaplicki: And do you think voters had a clear choice, or were the candidates similar—
- Mandeville: I don't think they chose on the basis of finances. I think the average person doesn't relate to that too well. When you get past six zeroes, they kind of lose it. I don't think finance was a major factor. The concept of someone not managing finances might be, but whether we were a hundred million worse off or four hundred million worse off at the end of the four terms I don't think mattered that much to the public. I think they voted for the man. Oddly enough, they had two good men running. Mike Howlett was a good man, and

Jim Thompson was a good man. One problem with Howlett is that he and Dan Walker bloodied each other during the primary. Walker said he had this house in Indiana, not in Illinois. Indiana City or Michigan City, wherever it was.⁵⁰

Czaplicki: And on state finances, you thought Howlett was solid?

Mandeville: Yes. He had been the predecessor to the comptroller for years, and also the secretary of state. He'd been in politics a long time. He knew finance, yes. I'm not saying he was like a CPA, because I didn't really know him that well, but I thought he knew finance.

Czaplicki: That meeting where you briefed Thompson on the finances, was that the first time you met him in person?

Mandeville: Yup, in the comptroller's office. I got pictures of him sitting back, looking kind of quizzical, like, Hmm, what does all this mean? But when I would brief senators, for example, these guys who had been around for a long time, it was the same reaction. It's a big area. The thing I really noticed about the briefings that I did was that they really listened, because I would explain it in a way that they could understand it. (looks at a photo) Here, I was briefing Senator Bruce, Terry Bruce, from down south. This is me. I was telling him, "There's no surplus. You can't spend." I would invite anybody who wanted to come to the comptroller's office. I would brief them on the current status and on my feelings about the projection of the next few years. They would come.

Czaplicki: I'm noticing the titles on the charts in these photos we're looking at. The first one says, "There is no surplus!" What's the bottom one say? "Can the state afford an increasing something of revenues?" You've got your bars shooting up. This seems more like an imperative.

Mandeville: It was, yeah. Whether or not they listened... you know. But see, again, if you tell someone that there's \$100 million in the bank, they'll say, "Well, what's the problem?" But the budget was \$30 billion. They don't understand that 1 percent is \$300 million. I was arguing, always, for a 4 percent balance in the budget, or at least a 1 percent. It got up to \$40 billion, I think, and that would be \$400 million. We were getting by with \$100 and \$200 million.⁵¹ You can do it, but you have to defer some payments and pay them during the lapse period, or you might have paid them before June thirtieth if you had the money in the bank to do it. It's awful hard to sell a surplus of any size at all, because of the real demands on the money, and the desire of the General

⁵⁰ Howlett's summer home was in Long Beach, Indiana. In February 1976, press reports appeared that suggested Howlett had used some campaign funds for the roughly \$12,000 down payment on the house. Chuck Neubauer, "Howlett Bought 11-room Home After Campaign Funds Transfer," *Chicago Tribune*, February 28, 1976.

⁵¹ At \$26 billion total and \$12.9 billion in general fund appropriations, FY1991 saw the peak budget recommendation of Thompson's tenure. [Placeholder for *Handbook* entry on Illinois budget tables(?)]

Assembly and the governor to spend money on programs is great. Edgar did it more successfully than most. I think he had \$1.5 billion at the end of his four years. But then some say he didn't do any programs, but that's another... (laughs)

Czaplicki: Yeah, we'll get into some of the differences, perhaps tomorrow. At a fundraising dinner in April or March of '76, Thompson picked up on an idea that Howlett had put out there earlier and announced he was forming a panel to review the organization of state government. Initially, he was going to name several people: Robert Johnson of the UAW; Donald Perkins, the Jewel Foods chairman; and the president of Northwestern University, Dr. Robert Strotz. But interestingly, both candidates got together and did a joint commission. Did you have any role in that?

Mandeville: No.

Czaplicki: Anyone you were close to end up on that commission?

Mandeville: I was in the comptroller's office, I was deputy comptroller, and my job was basically process. Get the checks out. Report the financial condition as we saw it, as the ones who issued all the warrants. Make sure you take over and produce all the income tax refunds. Up until that time, Revenue had issued all the refunds. Under the 1970 constitution and the Comptroller's Act that followed, the comptroller issued all the refunds. That took a very different program than we'd had before. We were almost always personal services and invoices.

Czaplicki: Do you think that reorganization report was something important to have going on?

Mandeville: I don't remember that they were having one. (laughs) But I should say that I think it's good for every governor to do something like that when they come in, not that they're going to reorganize anything, so they understand the organization. To me, it makes no sense to combine two functions if you don't save a lot of money. Generally, it does not. You may gain the price of one administrator. But if you're doing everything you were doing before, it's going to cost about the same, except maybe for the top one or two people. It may be good to do it for program reasons, but not for financial reasons, in my mind. I don't think combination of functions really helps you very much in the finance. Nevertheless, you should do it, just to understand the program, the organization.

Czaplicki: It's a good education?

Mandeville: Right. You have a man coming in, Thompson, who was in the legal field all his career up until that point, unlike Ogilvie, who was administrative. He was

head of Cook County before he became governor. Thompson was not in that role. Had never actually been a CEO, to my knowledge. It was important for him to understand at least the organization and the gold watches, the ones that agencies don't want to give up or that he doesn't want to give up.

Czaplicki: How about Walker? He was a lawyer, but wasn't he also an executive?

Mandeville: He was. He was the top lawyer in Marcor, which was the parent company for Montgomery Ward. He was a top lawyer. As such, he probably had a staff, and Thompson did too. In that sense, they had organization, but I mean running a business where you make a profit or you keep the company solvent. I doubt if he did. I'll say one thing about Walker and Thompson. They both were very smart. Walker was very smart. In my opinion, he could have been president. You know who was president instead? The governor of Georgia.

Czaplicki: Jimmy Carter.

Mandeville: Jimmy Carter. Walker was (holds hand up) and Carter down here, in my mind.

Czaplicki: You're saying Carter is lower?

Mandeville: Yes. Walker took on the Chicago machine. That's deadly for a Democrat.

Czaplicki: Both Navy men too, right?

Mandeville: Right. I didn't know about Carter. I know Walker was.⁵²

Czaplicki: After Thompson won, how soon before you got the call, as it were, to be budget director?

Mandeville: The day after the election. That morning.

Czaplicki: How did that happen?

Mandeville: He called me.

Czaplicki: You hashed it out over the phone, or did you have a personal meeting?

Mandeville: No. I said, "I don't have a job. I'll take it." (Czaplicki laughs) I really would prefer the Bureau of the Budget rather than the comptroller's office. Although I had a lesser role in the bureau under John McCarter than I would have later, the job in the comptroller's office was very easy compared to the Bureau of the Budget. You had an operating function. Once you understood the operation and got competent people there, it was an easy job. In the bureau,

⁵² Walker graduated from the US Naval Academy in 1945 and Carter graduated in 1946. United States Naval Academy, "Notable Graduates," <http://www.usna.edu/Notables/index.htm>.

that never happened. You never stopped having to worry about what Madigan thought or the other three leaders.

Czaplicki: So you liked the puzzle?

Mandeville: I liked the challenge. I resigned from the bureau in July of '90, when Thompson said he wasn't going to run again. I said, "I'm not going to stay either." They gave me a job—I think Thompson engineered it, anyway—as ombudsman.⁵³ I stayed there a year and a half, and that's all I could do, because it was a sleepy job. Even though it was important to talk to businesspeople who were being challenged by the Department of Revenue and see whether or not I could help solve it, it still wasn't anything like the bureau. To me, the bureau is probably the best job in government, next to the governor.

Czaplicki: You did it for a long time, so there must have been something that—

Mandeville: Fourteen years. I really liked it, yeah. Well, fourteen years under Thompson, three years under Ogilvie.

Czaplicki: Did you set any conditions for taking the job?

Mandeville: No. No one ever asked me my political allegiance. I vote Republican because I believe that more than the Democrats, but Thompson never asked me. When I was at NASA, nobody ever asked me. Lindberg never asked me. Lindberg just wanted somebody who could run the day-to-day operations.

Czaplicki: How long was the conversation? Did you have much talk about the governor's priorities?

Mandeville: You mean on the day after?

Czaplicki: Yeah, the day when he called you.

Mandeville: Two or three minutes.

Czaplicki: Oh. So it was literally—

Mandeville: "Would you be my director?" "Yes, sir." "Goodbye." (laughter) We had talked that one time. Actually, I did not talk to him during the campaign. Just that one time we talked. Others must have told him that I could do the job.

⁵³ In 1989, the General Assembly passed a "taxpayers' bill of rights," which included the new post of taxpayer ombudsman within the Department of Revenue. The ombudsman was responsible for investigating and mediating taxpayer complaints. Governor Thompson appointed Mandeville as the first ombudsman in May 1990, and he began his work July 15. "Budget Director Mandeville is Named Taxpayers' Advocate," *Chicago Tribune*, May 24, 1990.

Come to think of it, he probably knew something about what we were doing in the comptroller's office. We developed a system for projecting revenues and spending and economic factors. There isn't anything like Illinois gross product that I know, but we can create one by a correlation with the US, using income tax or other factors that are reported in Illinois. We did that, and then we put out a—I think it was called *Thirteen Steps to Fiscal Solvency* or something like that. It had all the reasons why we believed this was the future. It got a lot of publicity.⁵⁴ Luckily, it turned out to be right.

You can't really estimate revenue—nobody can—with 99 percent accuracy all the time. You may once or twice. The funny thing was, the Economic and Fiscal Commission—

Czaplicki: In the General Assembly?

Mandeville: Yes. Both parties are there, but the party in power has more people, I think, on it.⁵⁵ I dealt with the staff, not the commission itself. They would give an estimate that was \$300 million higher or lower than ours, and it varied depending on the year. Everybody would say, "Oh man, somebody missed it by \$300 million." I said, "Yeah, but we're 99.5 percent correct." (laughs) All they saw was the \$300 million. When you have the two that close, they're the same estimate, because both of them will be wrong. It may be higher or lower, but they'll be wrong. It won't be exact.

Czaplicki: It is something that gets mystified. When I go through old stories and newspaper articles, I'll often see "budget wizard." It's this idea that what you do is magic.⁵⁶

Mandeville: Who, me?

Czaplicki: Yeah.

Mandeville: Well, yeah. The one thing I did do, I studied the agencies and I knew them better than the director. So that when he came in for a review—and everyone had to come for a review with me before they appealed to the governor if they

⁵⁴ Possibly George Lindberg, *The Dynamics of Illinois State Finance: A Fiscal Barometer* (Springfield: Office of the Comptroller, State of Illinois, 1975), which Lindberg prepared for the Illinois Legislative Seminar held October 15-16, 1975. Also see George Lindberg, *The Governor's \$4.1 Billion Debt Financing Program: A Critique* (Springfield: Office of the Comptroller, State of Illinois, 1975).

⁵⁵ In 1984, the General Assembly passed a major reorganization bill abolishing many legislative commissions and changing the composition of the legislative service agencies. As a result, the Economic and Fiscal Commission shrank to twelve members, with the Democratic and Republican leader in each house choosing three members. Tim Franklin, "State Commission Reform Went Too Far, Critics Say," *Chicago Tribune*, August 5, 1984.

⁵⁶ See Philip Lentz, "Bob Mandeville: Man on the Run Patrols Illinois' Budget Barricades," *Chicago Tribune*, February 20, 1983; Charlie Wheeler, "Thompson's Tax Hike: The Reasons and the Politics," *Illinois Issues* (April 1983), 13.

wanted to. Most of them did not. By knowing it better than the director and better than the finance guy in the agency, I had the upper hand. You have to do that if you're going to win.

Czaplicki: When you say know better, do you just mean all the positions and what their impact is on the bottom line?

Mandeville: Yeah, I don't mean it in an ego way. I didn't know the programs, but I knew the financial situation. For example, if it was Public Aid, I knew the projections. I knew what the economy was saying would happen. When the economy falters, public aid goes up, and I knew by roughly what magnitude. When Art Quern and Mike Lane argued over whether we should give COLA to the welfare recipients, the income maintenance part, or whether we should build more single cells, I knew the cost of each of those as well as they did. I could argue reasonably with the governor, with those two guys in the room, and they couldn't say, "Hey, that's not right." I may lose the argument, but I knew the topic.

Czaplicki: And I'm sure over time that gives you a lot of credibility when you have those talks.

Mandeville: Yes, that would. Like in the prairie chicken case we talked about last time, didn't we? Gaylord Donnelley and the prairie chicken preserve up in the Chicago area.

Czaplicki: I'm not sure if we mentioned that on tape or after the tape was off. I remember you mentioning it.

Mandeville: It can be on tape. It doesn't matter. Thompson came to me and said, "Does the budget have \$50,000 for Gaylord? He wants to improve a prairie chicken refuge." I think it was Lake County or Cook County.⁵⁷ I said, "No, Governor. We could find it, but we have 50 percent of all the prairie chickens in the world, and only one-fourth of 1 percent of the population. The money ought to go to the people." I had the better argument, but he was the boss, and the money went to Gaylord.

Czaplicki: So the chickens got the refuge?

Mandeville: Yeah. They've probably got 55 percent of the prairie chickens now. We don't need any more prairie chickens.

Czaplicki: Did you eventually have a meeting with Thompson just to talk about policy priorities, what he wanted to attack first, and what kind of revenue he might need to do that?

⁵⁷ Gaylord Donnelly was a prominent businessman active in nature conservation efforts.

Mandeville: No. Never did. We put the budget together and presented it to him. The reason we didn't is that Walker, to his credit, turned over the budget process immediately, a day or two after the election, to Governor Thompson. Even though he was still governor until January. So what you had was a time from November sixth, let's say, until the middle of January, where Thompson was not the governor. What we did in that time, since Walker agreed to let us take the budget process and go through it all, we actually created the budget in meetings with Thompson.

We would present to him the situation with the various agencies, because if you're not finished with the agencies review by the middle of January, you'll never make it in time for the budget message—unless you're Quinn and you delay the budget message.⁵⁸ (laughs) But if you do it on time, and they were earlier in those days, I always aimed for January first, to have all the governors' decisions. In that month and a half, we briefed Thompson. We would fly to Chicago or wherever he wanted to meet, and we would go over the major agencies, the top ten that account for 95 percent of the budget. And he understood that. Like I say, he was a quick learner. You could brief him once, and he had it.

Czaplicki: You said, "We would fly up." Would it be you and Walker's agency heads who were going, or just budget people?

Mandeville: No. In the transition from Ogilvie to Walker, I was the only one of the top seven guys in the budget who stayed. Bill Goldberg and I would fly to Chicago together to brief Walker, but none of Ogilvie's people went there except me.

Czaplicki: I'm thinking after Thompson's election.

Mandeville: It's the same thing. Walker's people were out of it. Dan Walker turned over the budget process to us a day or two after the election. He was finished with it. Ogilvie did the same thing. He turned it over to Walker. I was just making the analogy to what happened with the Ogilvie loss and the Walker loss. It was the same. The new people took over, and the old people were gone, unless, in the case of Ogilvie, the old person was staying on with Walker, and that was me. I went up with Bill Goldberg, but if they had found someone to take over the bureau quickly—and Hovey eventually came—I wouldn't have been there. It would have been that person and maybe Goldberg. Bill was the top lawyer for Walker in his administration.

Czaplicki: So would it be fair to count the fiscal year 1978 budget as a Thompson budget?

⁵⁸ Gov. Pat Quinn was scheduled to deliver his budget message on February 19, 2014, but asked for and received an extension from the General Assembly until March 26, a week after the March 18 primary election. He also delayed his message in 2010 and 2013.

Mandeville: Absolutely. Seventy-eight is Thompson. No question about it. The budget was essentially completed by the time Thompson took office. But he was briefed on it beginning in early November 1976.

The first budget of a new administration has to be an austere one. It has to be tight. It has to minimize spending and maximize revenue. The reason for it is—and this is me speaking, others may disagree—you have to have some flexibility in the last three years to expand programs. You don't have to do it in the first year. You won't be blamed if you don't, because you'll say, "Hey, that guy didn't do his job." I think every governor does that; every administration says, "The guy before left me a terrible job here." Because then if he solves it, he's a hero. As we mentioned last time, I don't believe there is ever actually a deficit until it happens. Walker took the balance down from \$450 million to \$50 million.

Illinois General Funds: End-of-Fiscal Year Available Balance

Fiscal Year	Beginning Budgetary Balance	6/30 Available Balance	Lapse Warrants
1972		298,662,729	243,212,293
1973	55,450,436	387,191,272	248,849,504
1974	138,341,768	453,393,634	167,091,399
1975	286,302,235	314,686,045	259,143,732
1976	55,542,313	126,422,326	188,323,238
1977	-61,900,912	52,057,026	215,209,390
1978	-163,152,364	85,662,257	241,926,267
1979	-156,264,010	390,451,316	334,175,799
1980	56,275,517	483,478,751	398,351,493
1981	85,127,258	196,874,336	278,143,994
1982	-81,269,657	187,160,889	496,907,327
1983	-309,746,438	110,148,888	466,934,116
1984	-356,785,228	217,267,461	389,305,486
1985	-172,038,025	479,434,243	434,847,044
1986	44,587,198	287,963,246	440,656,718
1987	-152,693,472	154,281,973	472,575,502
1988	-318,293,529	246,370,946	322,422,615
1989	-76,051,669	540,673,781	392,496,918
1990	148,176,863	395,044,105	586,467,812
1991	-191,423,707	99,554,325	765,364,439
1992	-665,810,114	130,898,338	1,017,850,181

- Czaplicki: This is one of the things I want to show you. When you say balance, you mean the balance on June 30?⁵⁹
- Mandeville: The available balance, yeah. In '77.
- Czaplicki: Out of all general revenue funds?
- Mandeville: Yes, only general funds. It was \$453 million after Walker's first full budget year. It was \$50 million when he left office.
- Czaplicki: In '77.
- Mandeville: Yes. Now, is that a deficit?
- Czaplicki: Well, this is what I was going to ask you.
- Mandeville: No.
- Czaplicki: On that day, it's not.
- Mandeville: No.
- Czaplicki: But on an accrual, if you factor in the lapse spending, technically, fiscal year '78 does start with a deficit.
- Mandeville: I guess we're arguing semantics.
- Czaplicki: Or is that just a technical term because the beginning budgetary balance is calculated after the fact, and you're saying actually, in the account, you had money?
- Mandeville: This budgetary balance here doesn't mean anything to me.
- Czaplicki: This is what the comptroller calculates at the end of the year. So these come out of the comptroller's reports.
- Mandeville: He takes the outstanding bills...
- Czaplicki: So he says, On June thirtieth the available balance was \$52 million, but you also had \$215 million, as it turns out, of lapse spending. It's counted against the same fiscal year.
- Mandeville: But it doesn't make sense, because during the three months of the lapse period, you get new revenue to finance that. You're not spending as much in

⁵⁹ Table based on figures from Illinois Comptroller's Office, *Illinois Annual Report*. The first fiscal year belonging to the Thompson administration is 1978. Likewise, Walker's first budget is 1974.

the early months as you are later on in agencies and new appropriations. My view is that you can say that Walker created a deficit by taking the balance from \$450 million down to \$50 million. I would rather say that he tightened everything. A new governor's job, then, at the end of his first year, is to bring it up if he believes \$50 million is too low. His job is to bring it up to \$100 million or \$200 million, which Thompson did. Then, at the end of his term—where is '90? Here.

Czaplicki: So '90?

Mandeville: Yeah. Fiscal '90 would have been June 30, 1990.

Czaplicki: Just a little short of—

Mandeville: Four hundred. We began way back here, at fifty. So did we have a surplus? No, I don't think we did. Because we had, as you would argue, a higher lapse period. But that's natural that the lapse period would go up. Maybe not that much. Could the incoming governor say, "They left me in a bad situation"? Sure, and he probably would, because then he could solve it.⁶⁰ But my view is that it wasn't a deficit, and the new revenues would take care of part of this, and the balance would take care of the rest of it. I think every administration says, "I've got a problem to solve here," and then they attempt to solve it.

Czaplicki: Right, and part of it is the language. If you look at the comptroller's reports in 1977, they say exactly what you're describing. They say even though the beginning budgetary balance shows a negative, you have to consider what they call the total budgetary resources.

Mandeville: Yes, exactly.

Czaplicki: Which is the ending balance for the prior year plus the projected revenue for the following fiscal year.

Mandeville: This [beginning budgetary balance] is a creation. I don't know anybody that uses this. The two balances that the rating agencies worry about is the cash balance. If you can pay the next bill—

Czaplicki: Which is this, June thirtieth.

Mandeville: That's cash. This can never go negative, by the way. Just can't. If you have a checkbook and your checkbook balance goes negative, they charge you a fee. But in state government, you cannot issue a warrant if two things are not there: cash and appropriations. But there's another balance called the accrual

⁶⁰ For example, see John Elmer, "Walker Aide Charges Ogilvie Deal on Budget," *Chicago Tribune*, March 3, 1973. For the Edgar administration's viewpoint, see Jim Edgar, interview by Mark DePue, November 17, 2009, Volume III: 552-554; Joan Walters, interview by Mark DePue, July 29, 2009, 66-68.

balance. It gets at this problem. It looks at, okay, you have a cash balance here but you also have accrued expenditures, and it's not this [beginning budgetary balance]. It's different than this. It would be obligations that you've incurred that you have to pay, but haven't yet paid.

Czaplicki: But that's different from lapse.

Mandeville: That's different than lapse. It may be similar in some cases, but it's different. Because you could have a highway contract for \$20 million, and on June thirtieth nothing had been paid out yet, and by the end of the three months, all of the \$20 million might not have been paid out. I think you have to be careful.

Czaplicki: So the accrual balance isn't this? It's not the beginning budgetary balance?

Mandeville: No.

Czaplicki: I was wondering why the comptroller would include that.

Mandeville: It's just a way to get an approximation of what's happening. There is a relationship between the money here and the money yet owed.

Czaplicki: That's how I read it, that they were trying to isolate it to that fiscal year.

Mandeville: It's useful, but it's not useful to the people who are managing the finances. What we're interested in is the accrual balance, and we had to do that, by the way, for Standard and Poor's, and ultimately Moody's. Standard and Poor's required both the available balance—i.e., the cash balance—and the accrual balance.

Czaplicki: Would the accrual balance include liabilities that weren't captured in general revenue reporting? So things like Medicare payments? Things like Section Twenty-Five under the Finance Act? You have certain payments that you could pay out much farther into the future.

Mandeville: It would if you could measure it. The accrual balance is largely a fiction, unless you're very sophisticated. Because the only way you can get it is go to the agencies and say, "What's your caseload, what's your time period for paying Medicaid providers"—nursing homes, hospitals, and so on—"and how much is that?" Whatever they gave you, you had to use. You had no independent way of knowing that.

Czaplicki: So it's like projecting revenue? You're trying to project the long-term liabilities?

Mandeville: You can project revenue easier than you can do an accrual balance, in my mind, because the accrual means someone's concept of what is owed and already contracted for. You can get the contracted for. It's not easy, but it's available. But you can't get the amount of the contracted that is accrued at a point in time easily. I think maybe a bunch of CPAs going to every agency could do it, but it's not a practical thing to do. The one that really matters over time is the available balance.

Czaplicki: Would the accrual balance get reported anywhere publicly, or was this just going to the bond agencies?

Mandeville: No, we had to report it to Standard and Poor's. Both ways [available and accrual balances]. Not at the beginning, but I'd say halfway through the Thompson years.

Czaplicki: But they're private companies. Are they then publishing what you give them, or are they keeping it?

Mandeville: No, they are the rating agencies that give us triple-A. That's the ones I'm talking about. They publish the rating, and then they say why they did it.

Czaplicki: And they'll show the accrual balance?

Mandeville: Accrual balance would factor in.

Czaplicki: I'm just wondering if there is a table where a researcher could find the accrual balances for the Thompson administration. Is that something the ratings agencies would keep in house and wouldn't—

Mandeville: I doubt if it exists anymore. It's not published, to my knowledge. This [comptroller's report] is published. I became a strong believer in cash flow in private industry and in government. Cash flow is the key. If you can control cash flow, you will be successful.

This also applies to you and me in our retirement. The most important thing I tell our kids is create a series of cash flows that activate when you retire, and you'll be okay. Just to give you an example, my brother taught and ended up vice president of a college in Montana, Carroll College in Helena. He had whatever universities have. It was like a 401(k), but it was called something else. He had a principal balance, say, about a half million. But he had no other cash flow. A sudden drop in the market, like happened a couple of times after he retired, can wipe him out. My wife and I have an asset balance of roughly that, but we also have cash flows. We have eight cash flows coming in every month. That will continue until we die, and I've structured the out years... I have a projection through when I'm ninety-nine years old and won't understand it anymore. (laughs) But that's only sixteen years. I can do it.

We have a pension for me, pension for my wife; Social Security for me, Social Security for my wife; IRA for me, IRA for my wife; deferred comp for me, deferred comp for my wife. Some of those have run out, but I've structured it in a way—for example, I took the Roth IRAs, which are never taxable once you have them, and put them at the end of the process. Keep them the longest, because you don't want to pay tax if you don't have to. Four of them will continue no matter what happens to the market. Now, they're going to nickel-and-dime us on the pensions, and the feds are going to do it on the Social Security too. You more than me, because I've already received significant COLAs. But the pension money will continue until I die, and the Social Security will. So, four major sources of revenue that comprise the bulk of the cash flows are guaranteed. What isn't guaranteed is the IRAs, the two IRAs, and the two deferred comp. They will eventually run out, because you have to select how long you take the deferred comp. By law, you have to redeem the IRAs over a certain period of time, like twenty-six years. You can also tie it to an heir, and it even goes longer.

The same thing here. If you have the cash flow coming in and you know what it is, then you have to try to limit spending to what the cash will be. I'm not talking accrual, I'm talking cash, because expenditures are cash. They're not accrual. In other words, when you spend money, when the comptroller issues a warrant, that draws down the cash. That's the only thing that draws down the cash. So you've got to have cash in the bank. Appropriations are necessary, but accrual accounting is sort of mystical and the cash balance is not. It's absolute. If you can guarantee a cash balance, or at least the best of your ability guarantee a cash balance, you're going to be in good shape. The second part is multi-year financial planning. You have to lay out three or four years or you could be in big trouble.

Czaplicki: But the state doesn't do this.

Mandeville: We did.

Czaplicki: You did?

Mandeville: Absolutely. Here's the reason why. Let's say in year one, you have a deficit. The second year, following that, all the revenue that grows first has to be used to fund the deficit, just to hold spending even. Let's say you had a \$100 million deficit and you had a \$200 million increase in revenue. Half of that increase has to fund the deficit to keep spending even, and then you can raise spending by \$100 million with the rest of the new revenue. If you come off a surplus, the opposite is true. You can increase spending by the amount of the surplus without spending any of the new money. I can show you in a chart

later how that works.⁶¹ But it's critical to know what's going to happen three years from now, and that gets into not only revenue forecasting and finances, it gets into economic forecasting, because economic forecasting determines revenue and finances in many cases.

Czaplicki: What's the difference between the two?

Mandeville: The one is finances for the state of Illinois. The other, you have to use federal criteria, and then by the correlation work it back to Illinois. If you can do that—and we did. Dale Smith was the economist who did it in our office. You can pretty well project out, based on the projection of GNP at the federal level. Other economic factors, like income tax, but GNP primarily. You know that if the economists are saying we're going to have a downturn in the second year of this three-year or four-year projection, you better look at welfare. You know the caseload is going to go up, and you know Medicaid is going to go up. More people will be unemployed, and they'll be on what we used to call MANG, which is Medical Assistance—No Grant, no income grant. They call it something else now, but it's the Medicaid portion of welfare. The other one used to be called General Assistance.⁶² It's the income portion. If you have an asset of x amount and an income of so much, you can't get income maintenance. But if it's below that level, you can get it. In Medicaid, the same way. A house and a car, I think, are exempt. If you have a lot of stocks, a reasonable number of stocks, you have to spend them down before you get Medicaid free from the state.

Czaplicki: So the terms, then, refer to what you were basing your projections on? In one case, you're basing it on revenues, and the other case, you're basing it on economic indicators?

Mandeville: The same thing. We use the economic indicators where we have to, to do the revenue estimate. That's sales tax and income tax. If you can project them accurately, you're okay. Federal aid is another one.

Czaplicki: I want to go back to cash flow control versus accrual. When people think about budgets, one of the issues is that at least accrual, in theory, gives you a better picture of the total amount of services a state is involved with, and the total burden it potentially places on the citizens who are paying the taxes.

⁶¹ Mandeville discusses this chart at the start of his fourth session with Czaplicki. The reader is reminded that when Mandeville says “deficit” and “surplus,” he is talking about whether the June 30 cash balance decreased or increased compared to the previous year.

⁶² During the late 1980s and early 1990s, state and federal policymakers restructured the American welfare system. Congress initiated the most fundamental transformation by passing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which ended the federal Aid to Families with Dependent Children Program in favor of a system of block grants distributed to state-designed welfare programs. The new system has lifetime limits on assistance and is called Temporary Assistance for Needy Families (TANF). In Illinois, Governor Edgar ended the general assistance program for able-bodied single adults in 1991. MANG is now TANF-MANG. [Placeholder for Thompson's discussion of welfare reform efforts(?)]

Mandeville: Absolutely, *if* the accruals are correct. We'll get back to that. Yes, if you could do an accurate accrual, you would have a much better picture than cash balance. But you can't write a check against accrual balance.

Czaplicki: Are you suggesting that the lack of accrual isn't from some desire to hide the total picture? It's more of a technical matter, that it's actually very difficult for a state budget to generate a correct accrual?

Mandeville: I think if you have the manpower and you want to spend it that way, you could do the accrual. But you won't use it. You report it, but here's what you use to write a check (points at the table's cash balance column). I would say that this is much more important than accrual balance. The accrual balance will tell you the state's got a problem, and next year, they've got to solve that. Somehow, they've got to get that—well, the backlog now, \$5 billion or whatever it is.⁶³ They've got to get that down if they can. But what's happening when it's not going down? What's happening? They're paying everybody? They're paying vendors and they're late, but the vendors get interest? They should be happy to be delayed. Except those who can't borrow. You've got small nursing homes who probably can't borrow, so they're in trouble. But the bigger corporations certainly are not hurt by this.

Czaplicki: Are there things that could be done? Could reporting be changed in any way to make accruals easier to calculate?

Mandeville: You can report the obligations, when someone signs a contract prior to June thirtieth. That's sort of the stop line here. You can know that this much is obligated, and you could call that accrual. But it won't be. You have to subtract from that the amount that has been paid and the amount that is in process. Then you have close to an accrual. To get that out of the agency is tough, because they don't always know.

Czaplicki: Was there any talk about doing that, or it's just something people didn't even worry about?

Mandeville: No. We actually did the accrual.

Czaplicki: Because you had to do it for bond agencies?

Mandeville: By going to the [state] agencies and getting the data they gave us. Then we would report that. That satisfied Standard and Poor's. We kept our high rating throughout the fourteen years. I know we're not talking rating agencies, but

⁶³ At the time of this interview, the state's backlog of unpaid bills drawn against general funds was \$5.5 billion, with some bills dating to October 2013. Illinois Comptroller, *Comptroller's Quarterly* (January 2014), <http://www.ioc.state.il.us/index.cfm/resources/comptrollers-quarterly/january-2014-spending-on-target-but-backlog-may-grow/>.

the main thing with them is that you don't bluff. I'll tell you one story. On the way up to New York one time, we were taking the state plane. Official business. (laughs) Thompson and I were there, and he was—

Czaplicki: No antique trips?⁶⁴

Mandeville: (laughs) Well, yeah, that was on our time. Don't go to Soho. You probably won't come back alive, unless you have armed guards. But on the way up, we were talking, and I told the governor we had a \$300 million shortfall in revenue, so we're going to have to do something.⁶⁵ He said, "Well, okay, I'll tell them that." I said, "You've got to tell them that, because they'll find out anyway." He said, "I'll tell them, but I'm not going to raise taxes no matter what." I said, "Governor, don't say that. If you have to raise taxes, you will, but you're going to solve that problem, and they're okay with that. If you tell them you've got a \$300 million problem but you don't know how to solve it, you're in trouble. You're going to get downgraded." Three hundred million was worth more then. It wasn't a large deficit compared to today, but it was a deficit that had to be resolved.

Czaplicki: I had some figures for you here. Take your pick. These are nominal, and then this is 2012 dollars. That was the change year to year in your revenue source.

Mandeville: Yeah, '81, that's the year we had the shortfall. Eighty-one was a recession year.

Czaplicki: Very little went up. Cigarette taxes, I guess. Inheritance tax.

Mandeville: This was probably because of a tax increase. Initially, it would go up. The other thing that causes this is that when you raise the tax on cigarettes, what do you think people do?

Czaplicki: They either stop smoking or they buy them somewhere cheaper.

Mandeville: They buy them before the effective date, or they buy them from the semis coming up I-57 from Paducah. (laughs)

Czaplicki: Inheritance tax took a big jump.

Mandeville: That's all over the place. You can't predict when people are going to die. Unless it's World War II, and then you might.

⁶⁴ A serious collector of antiques, Thompson continued his hobby while in office. Mike Lawrence, interview by Mark DePue, March 4, 2009, 48; Sam Thompson, interview by Mike Czaplicki, April 4, 2014, 39-40 and 47-49; Greg Baise, interview by Mark DePue, August 7, 2013; Jim Reilly, interview by Mark DePue, August 11, 2009, 51; Jim Edgar, interview by Mark DePue, June 10, 2009, Volume II: 276, 284, and 301. [Placeholder for cite to Thompson's discussion of antiquing.]

⁶⁵ FY1982 general revenue fell \$538 million short of the Budget Bureau's initial projection, while FY1983 came in \$377 million short.

Czaplicki: Then interest on investments and monies in the treasury.

Mandeville: This doesn't happen today, but it would be way down because of the feds pouring money into the economy, and very low interest rates.

Percent Year-to-Year Change in State Revenue Source, Nominal Dollars

Fiscal Year	Gross Inc. Tax	Sales Tax	Pub Util. Tax	Cig. Tax	Inher. Tax	Insur. Tax	Interest Earned	Misc Fees	Lottery
1973	10.6	8.4	10.1	-5.4	34.7	-4.6	31.8	58.5	
1974	13.0	16.0	9.9	5.4	-8.1	4.2	72.2	420.7	
1975	11.8	7.7	19.4	-0.6	-5.6	13.1	26.1	0.7	
1976	6.8	12.2	13.4	5.8	-5.5	25.1	-40.2	-1.5	25.3
1977	16.4	8.8	20.0	-1.8	19.0	14.6	-15.0	-11.0	-36.7
1978	7.8	10.5	13.0	10.1	34.0	9.7	18.3	-4.8	-27.8
1979	13.0	9.1	15.5	-2.9	22.1	0.4	71.1	-1.8	-14.8
1980	21.3	8.3	29.3	-1.8	-10.4	-0.3	59.0	18.0	3.6
1981	-6.0	-1.9	-4.4	2.9	15.8	-4.1	3.2	0.6	109.1
1982	5.1	0.1	10.5	-4.4	10.9	-18.3	-10.8	10.9	57.2
1983	-2.3	2.3	8.5	-0.4	-11.6	45.0	-33.9	-15.6	53.2
1984	33.1	9.4	-1.0	-3.5	-23.6	8.6	25.5	18.7	96.8
1985	-7.2	20.1	2.7	-0.4	-42.1	-0.7	23.9	-11.6	51.9
1986	2.6	3.6	-1.6	-4.2	-10.1	7.5	-15.2	32.3	10.5
1987	11.6	0.8	-9.6	3.1	46.0	10.3	-26.1	4.1	3.8
1988	5.1	7.8	-2.5	1.0	1.5	-1.8	-1.5	18.0	-3.5
1989	3.0	6.2	6.1	-3.5	16.1	24.8	50.1	-7.3	18.4
1990	-2.0	2.7	12.9	57.1	10.3	-1.6	17.5	10.3	-1.3
1991	5.9	1.0	0.9	0.3	5.2	2.7	-20.9	5.5	0.2
1992	5.1	3.2	2.0	-1.9	8.1	25.6	-37.8	-8.9	5.5

Czaplicki: Then this was the category of miscellaneous fees and departmental revenues, which the comptroller's report puts under one lump sum. That apparently went up.

Mandeville: The first year of Walker. Seventy-four was his first year. Right before, some time in the '73 fiscal year, which would have ended six months after Walker took office, miscellaneous fees went way up.

Czaplicki: Yeah, we see that here. Here's fiscal year '74, and miscellaneous fees, 420 percent increase.

Mandeville: Right. That would be his first full year. Because this base was so high, they didn't go up so much the next year.

Czaplicki: If you control for inflation—these are 2012 dollars—look at 1981. All of your sources went down, except for inheritance tax, as you pointed out.

Mandeville: A couple of rich people dying.

Czaplicki: But the other thing I thought was very interesting, what happened with lottery revenues? Because not much was happening, and then there was this surge starting in '81.

Mandeville: Walker implemented the lottery. This is the first year, I guess. First full year.

Czaplicki: There would have been revenue this year. So this is the change from that first year's revenue.

Mandeville: It would have been pretty small, I would imagine. I don't know what time—'76, '77. Then it went up.

Czaplicki: There's just this huge surge, so I didn't know if you added more games, or different marketing, a different division head?

Mandeville: I don't think there were the daily games initially. I think it was the Lotto weekly. Later on, they added Little Lotto. Now they have a special Lotto that costs two bucks instead of one.

Czaplicki: They expanded the different options to play and increased the frequency?

Mandeville: Then they had the instant lottery, which was a big success. You go and you know right now whether you won ten bucks or eighty bucks.

Czaplicki: Scratch tickets.

Mandeville: I don't know, that could have been it. Thompson was not high on lottery, so I'm not sure why this was...

Czaplicki: In a way, you could almost think of a new lottery game as a tax increase.

Mandeville: Yeah, it's a bad tax increase, because the people who play it probably shouldn't be playing it, whether they're rich or poor. For example, the Lotto today is at fourteen million. That's the Illinois Lotto. That's almost the all-time high. That's very high. People are caught up more in the \$500 million mega one of those. There's two of them out there.⁶⁶ I think we've participated in one.

Czaplicki: Of these revenue sources, which ones are the easiest to predict? The most stable, year to year.

⁶⁶ Mandeville is referencing Mega Millions and Powerball, multistate lottery games.

Mandeville: Probably sales tax. The gross income tax has two components on the revenue side, corporate and individual. Individual is easier than corporate. Corporate can vary for a number of reasons. The economy. Companies make less money one year than the other. Someone implementing, on the federal level, tax breaks for corporations or closing them. As you know, for individuals, your state income tax derives from the federal. You start with the adjusted income on line thirty-eight in the federal 1040, and that's your first line. Then you subtract everything that is not taxable at the state level. In my case, almost everything was retirement income. I have a zero income, because retirement is not taxed at the state level. It's taxed partly—in some cases totally—by the feds, but not by the state. If the feds do something on the tax, it might affect the state, depending on what they do.

For example, if you took out your IRA post-tax—in other words, after any tax was paid on that income—then you can now deduct that on the federal tax. I'm withdrawing twelve thousand a year now. Let's say you withdrew twelve thousand, but 10 percent of that was paid with post-tax money. If you've already paid tax on the money, you don't have to pay it again when you withdraw the IRA. In the early years, most people opted for buying the IRA before they paid any taxes; they didn't have that option of post-tax purchase. They have a form that you use to calculate [your deduction]. Social Security is taxed at the federal level, but normally no more than 85 percent. If I pull down forty thousand a year, Social Security, I only pay on 85 percent of it. Fifteen percent is exempt. I shouldn't pay anything, because I've already paid tax on it.⁶⁷

Those kind of changes would affect your revenue on the state level. But you can estimate those on the personal income by getting a trend line using federal data and marking it down to the state level by the various methods that Dale used. You can have a pretty good estimate on individual income tax. Corporate is tougher. I think if you went down this chart, none of those negatives would have been caused by individual income tax. That would be my guess.

Czaplicki: I'm just thinking of the numbers. I don't have them written. The corporate did vary much more.

Mandeville: It would vary more. Individual has a way of always going up.

⁶⁷ The Employee Retirement Income Security Act of 1974 allowed workers to make annual pre-tax contributions up to \$1,500 or 15 percent of their salary, whichever was less. Workers only paid tax on their contributions and investment earnings when they withdrew money. The Tax Reform Act of 1986 changed the eligibility rules for pre-tax contributions but allowed all taxpayers to make after-tax contributions to an IRA. In 1997, the Taxpayer Relief Act created the Roth IRA, which is funded by post-tax contributions. Investment Company Institute, *Perspective* 11 (February 2005).

Czaplicki: In terms of these taxes, which one would be easiest to increase?

Mandeville: The little guys. Cigarette tax—only the cigarette smokers complain about that. Most people won't complain about it. Now that CVS won't sell tobacco anymore, a few more people won't complain about it. It's a bad tax, in the sense that it's bad as a revenue generator, because as you increase the cigarette tax, consumption goes down. Those by Missouri and Wisconsin and Kentucky and Indiana go across the border, or they buy from the semi parked right across the border. The last I looked at it was years ago. I don't know what it is now. In Kentucky, the cigarette tax was three cents a pack. In Illinois, it's probably two dollars a pack or something like that.⁶⁸ Massive difference. So it pays to take the chance if you have a semi.

Czaplicki: I imagine enforcement must add cost to collecting the tax.

Mandeville: Yeah, and Illinois can't do anything with the semi parked in Indiana, the fact that Illinois residents happen to walk over there and buy cigarettes. Now, they could get them when they bring them back. They could probably levy some kind of a tax, the name escapes me, where if you buy something—

Czaplicki: Use tax?

Mandeville: Use tax. Yeah, they could do that, I suppose. The inheritance tax will give you a lot of grief, because people believe that they should be allowed to leave to their children whatever little money they have left. The insurance tax is sort of the same thing.

Czaplicki: What is the insurance tax? What service is being taxed?

Mandeville: The premiums are taxed. To the insurance company, not to the individual. This is a company tax.

Czaplicki: So the insurance companies are paying the state based on the revenue they're collecting from policy holders?

Mandeville: I think based on the premiums, which I guess is their only revenue.

Czaplicki: I should also clarify, these are only the taxes that are going into the general fund.

Mandeville: Yes. That's what I'm really talking about in all of this.

Czaplicki: We're talking about the general fund?

⁶⁸ At the time of this interview, cigarettes were taxed \$1.98 per pack of twenty, plus 6.25 percent sales tax. During the Thompson administration, cigarettes were taxed \$0.12 per pack until 1986, when the rate increased to \$0.20. The tax increased to \$0.30 per pack in 1990.

Mandeville: Right. If you want to talk about the whole budget, I can, but most of the others are what we call earmarked. For example, the road fund, theoretically, can only be used for roads, or things like roads—bridges and so on. And there's a separate flow of federal money into the road fund that never gets to the general fund. In fact, it's more likely that administrations will attempt to raid the road fund to help out on the general fund. But their ability to do that is limited, and the General Assembly will normally not go along with it.

Czaplicki: There's a motor fuel tax that goes to the road fund as well, or a different fund?

Mandeville: No, that goes largely to locals, for local roads. Some of it goes to the road fund. Most of it goes to locals for streets that are part of a state highway, but are maintained by the local government. By the way, speaking of deficits, Walker said, "Ogilvie borrowed money to keep the general fund afloat; he borrowed sixty million from the motor fuel tax," which he did. The sixty million was repaid under Walker's term. But that's minute. You always have to look at this in relation to size.

I did an article for Doug Finke, who does a column here in Springfield.⁶⁹ He asked, "What's going to happen in 2045?" I said, "I'm going to use a 5 percent growth rate, because historically that has been the average growth rate in revenues." According to the decapitated ant theory, revenues and spending in state government must come back to equal each other from time to time. In between, they can form two parts of the body of an ant without a head. But eventually, they have to come back to meet each other, and they will, because state governments cannot issue money in the way the feds do.

Czaplicki: When did he [Ogilvie] borrow it?

Mandeville: I'm not positive, because I wasn't there. I came in August of '69, and he'd been there eight months already. I think it was starting that period that he borrowed it. It wasn't a very big thing, and to call that a deficit is misleading, I think. Of course, I think anyone who [accuses] the prior administration of having a deficit is wrong except us. We can do it, but they can't. (laughter)

Czaplicki: I had two questions about the general fund. You said that in all of this, you're generally talking about—

Mandeville: I'm talking about the general fund. Almost all the other funds are earmarked as to their use and revenue source. The general fund is the one that can be spent on anything. We could build highways with the general fund. We won't do it because the demands other places are too high, but you could. But you can't pay welfare from the road fund, and you can't pay state fair prizes from the public utility fund. Government is a fund-type organization. They set up

⁶⁹ For the *State Journal-Register*.

all these funds. Most corporations would have a general fund, but not have fifty funds into which little bits of money go. There have been attempts in the past to combine those. In fact, what either Blagojevich or Quinn did was to take money by legislative action, surpluses in other funds, and put them into the general fund.

Czaplicki: Fund sweeps.

Mandeville: Fund sweeps, yeah. Which really denies the potential for spending that money for the purpose for which it was created. But it's legal because they passed a law saying it was legal.

Czaplicki: That's one of my questions, then. You emphasized the importance of the general fund, but over time, the special funds are getting ever-larger in terms of activity. So it gets very hard, from the standpoint of the public, to get that sense. It's almost like the accrual issue. What's the state actually doing? So much of the reporting on the budget, what you hear the media write about, what you hear policymakers talk about, only talks about the general fund. Meanwhile, what else is happening? What's this iceberg under the surface?

Mandeville: What will happen if the feds stop financing new interstates at 90 percent? We won't build interstates. But if the feds stop paying Medicaid at 50 percent, we still have to take care of those folks, unless we change the entitlements at the state level. They talk about changing entitlements at the federal level. They'd have to change them at the state level too. If you qualify for Medicaid or income maintenance, you'll get it no matter what the level of funding is in the general fund. Not true in all the other funds. If we don't have money in the state fair fund, we don't pay prizes. If we don't have money in the general fund, we've got to find it. My guess is that the deficit you see is primarily all general fund, the five billion that Topinka talks about.⁷⁰ You still have to pay those bills. You may not be able to pay them now because you don't have any available balance, but you have to pay them eventually.

You don't have to build the highways. I may be wrong on this, but I think Ryan's highway program, Illinois FIRST, took ten years to spend out. It's probably still spending his program.⁷¹ They talk about their "current" construction program running out, but they have to implement a new one. Some prior governor did that. The current governor didn't. His program will be out here somewhere, where you can see the concrete. I think that he just can't build that next section. He may not be able to finish IL-29 between Springfield and Taylorville, which is not important to you, but it is to people who live in Taylorville and work in Springfield. It's a two-lane highway and

⁷⁰ Judy Baar Topinka was elected comptroller in 2010.

⁷¹ The Fund for Infrastructure, Roads, Schools & Transit was a program approved by the Illinois legislature in 1999, which raised \$6.3 billion in new revenues to secure the sale of bonds for transportation and school projects. Neighborhood Capital Budget Group, "Illinois FIRST" (2005).

they want it to be a four-lane highway.

Walker, for example, issued bonds to build what is now I-72 from Springfield to Quincy. That part of the state around Quincy was called Forgottonia, and Walker said that we have to build highways to there.⁷² He didn't have the money to build the highways, but he used the fifty-fifty federal-state share, under secondary roads, to build the overpasses. He built the structure for the highways, but not the highways. Then, later, he built the highways as a supplemental highway, not as an interstate. Later, it got designated Interstate 72 since he built it to interstate standards. Walker started it, but Thompson continued it. Now we have an interstate, a nice four-lane highway going all the way to Hannibal and into Missouri. Also, I-172 up to Quincy. It used to be 336, which connected to the old Highway 36. But if the feds had reneged or wouldn't give the 90 percent, the interstate would not be built because there's no money.

You wouldn't use general funds for that. There is a distinct difference. It is important to know that the general fund is the one that really matters. Most of the things that you and I as citizens are concerned about are paid by the general fund: corrections, mental health, child services. You can go on down the line. There's like fifty agencies that use general funds.

Czaplicki: Public Aid.

Mandeville: Yeah, Public Aid.

Czaplicki: So we look at the general fund, but there's some confusion there because, as you said, most businesses have one fund. Most states will have one general fund. But Illinois has varied over time. Today there are four: there's the general revenue fund, there's the common schools fund, there's the general revenue-common schools fund, and there's educational assistance. In the early seventies, there were various others. There were some federal revenue sharing funds.

Mandeville: The first three are the same fund as far as I'm concerned. The common school fund and the general fund are always looped together.

Czaplicki: So when you talk general fund, you mean all of those separate—

Mandeville: I don't know about the education assistance.

⁷² Term that emerged in 1971, when a Western Illinois University student named Neal Gamm called himself Governor of Forgottonia and declared the independence of sixteen western counties to protest perceived funding inequalities, particularly for roads and bridges. Gamm did not think of the idea on his own, but was recruited to play the role by Jack Horn and Macomb Chamber of Commerce board member John Armstrong. James D. Nowlan, "From Lincoln to Forgottonia," *Illinois Issues* (September 1998), 30; Nathan Woodside, "Gone But Not Forgottonia," *Peoria Journal Star*, December 31, 2010.

Czaplicki: That came a little bit later.

Mandeville: What is that, the lottery?

Czaplicki: No, I'm not sure what revenue is funding it, but fiscal year 1990, they established the education assistance fund.

Mandeville: Okay, that was still us. Where does the revenue come from?

Czaplicki: I don't have the revenue source on here. I'll have to look into that.

Mandeville: I think probably the General Assembly. When the lottery was created by Walker, there was talk about the revenue going only for education, but the law was never passed that said it would go to education.

Czaplicki: And it [the lottery] wasn't listed as general revenue, but often there would be a big transfer every year into general revenue.

Mandeville: It would transfer every month, perhaps, but yeah, say half a billion would go in there each year. But by law, that was never designated for education. Everybody said that money is going to education. It is. But five hundred million is not going there because that money is coming in. In other words, education would get x amount no matter where it comes from. If you say half a billion comes from lottery, good. Two hundred million comes from cigarette tax, okay.

Czaplicki: So they're not finding new sources to add to the existing baseline? It just replaces—

Mandeville: They're not adding the lottery revenue above what education would have gotten anyway. Education is, unfortunately, sometimes the residual. It includes whatever revenues typically go into the general fund, which is the lottery. There's no lottery fund by which education is funded. The lottery money all goes into the general fund. Now, this [educational assistance] may have been an attempt [to fulfill] the perception that the lottery money is going only for education.

Czaplicki: It was just confusing, because within the general fund there's a fund called the general revenue fund. But those two numbers aren't equal. The general revenue fund is smaller. So sometimes when you talk about these things, it's, Wait, is he talking general revenue fund only, or is he talking all general funds?

Mandeville: You're talking all, and perhaps that new one. But we're talking the other three for sure. The common school fund can only be used for education, but it is

never anywhere near enough to meet the appropriations for education. So they can spend that until it is exhausted, and then they move to the general fund. It's the general fund, in essence.

Czaplicki: That's a bit more clear. Why does Illinois do that?

Mandeville: What they should do—and I don't know that we actually tried it. With the feds, they say, "Look, you've got a two trillion dollar budget. Certainly you can find a hundred million for my project." Same thing here. You try to eliminate the agricultural fund. Illinois is a farm state. The whole farm community is up in arms, and they go see the legislators. In terms of numbers, there's more of them downstate than upstate in Chicago. They have a powerful voice. They don't want to lose that fund. Try to consolidate two school districts. There's a fight going on now between the Tri-County area, which is just west of here, and Petersburg. Petersburg wants to combine and A-C Central does not. The State Board of Education wants the two to combine for efficiency. A-C Central says, "No, they've got a debt. We don't." You know, that kind of thing. But A-C Central would get better education; you get more courses offered, maybe better buses, and so on. It's the same thing with the special funds.

What they should do is take most of those special funds and move them into the general fund, but then fund the things. If they do, then the agriculture, the fair, won't get the same money they get now, because now they've got some real heavies fighting against them. Welfare, Corrections, Mental Health, Children and Family Services—all of those will be demanding that money, since it's now in the general fund. The little guys out here, the ag premium, they're going to lose out.

Czaplicki: So the special funds are a form of insulation.

Mandeville: Yeah.

Czaplicki: To protect constituencies.

Mandeville: They serve a purpose if you like horse racing and you like the winner to get a purse. And there's people who do. I'm thinking of horse racing at the fair, not Arlington Heights. Not those tracks.

Czaplicki: We might come back to some of this in the future. We got a little bit into the weeds, but I think it's good to just have some of this stuff opened up and defined. But back to the transition for a moment. Earlier, we had talked about the exodus from the budget bureau after Walker wins. There were the Ogilvie loyalists, and they didn't want to work for Walker. You mentioned that meeting where, very briefly, some had considered making the shadow government to expose Walker's mistakes.

Mandeville: That was an interesting meeting.

Czaplicki: Where did you meet?

Mandeville: In a restaurant in Chicago. I forget the name now. It might have been that German one. I think it was Berghoff's.

Czaplicki: The Berghoff?

Mandeville: It might have been there.

Czaplicki: By the art museum?

Mandeville: I don't think it was. There's an Italian Villa, maybe. A name like that. It might have been. It was a place where we had a room by ourselves, and we were sitting around scheming. (laughs)

Czaplicki: That's an interesting reaction. Was there a similar impulse after Thompson won? Were there budget people who just didn't want to stay after working in Walker's administration?

Mandeville: There might have been one or two, but the bureau is a unique organization. We don't have to comply with any personnel rules. We're legally part of the governor's staff. I think that the people we hire, at least the people I hired, almost all of them had a master's in some field. I did hire one person with a doctorate in music. My theory was that music is primarily mathematics. I figured if he knew music, he would know mathematics. I put him in Public Aid. It turned out to be a very good choice. But generally, we hired professional people. We never asked them their allegiance politically, so they weren't political. They all stayed, to my knowledge. They left for other reasons, not because Thompson had won. When Walker came in in the first year that I was there, nobody left for political reasons. In fact, as I mentioned, his director had already left.

Czaplicki: Was there a high turnover rate? Would people get burned out from the workload, or did people make long careers?

Mandeville: In the bureau? Not too many make long careers, but what they do, the bureau becomes a training ground for fiscal officers for agencies, which I liked. I liked it because the guys—and the ladies too—that we hired were bright, they were young, and they still had the energy to do the work. So they would stay in the bureau for three or four years, and then they would move to an agency as the top fiscal person. Many of our people did that. Tom Hutchinson went to Corrections. George Hovanec, I forget where he went. Kolhauser went to Transportation. Barry Wright. They all went to agencies as top fiscal people.

Then I knew we had competent people in the agencies. It made my job harder, because now they knew as much as I did. (laughs)

Czaplicki: For those particular positions, would the agency head be responsible for filling that, or would they turn to Budget to say, “We need a candidate. Do you have anyone in mind?”

Mandeville: Both. Let’s say Hutchinson—one of his agencies was Corrections, so he was always dealing with Mike Lane as a budget examiner. Mike knew him, so he said, “Hey, you want a job here?” And Tom said yeah. So he’d take the job, and I’d say, “Fine, we’ll hire another young master’s. You’re getting too old. You’re twenty-six.” (laughs)

Czaplicki: Related to this point, I read a story that was interviewing some Thompson staffers. It quoted Zale Glauberman. It didn’t identify anybody else. But the story raised the issue that some of the Thompson staffers were worried that Walker had planted booby traps to try to constrain the administration, since you only had a two-year term. The three traps they identified were “secret agreements with public employee unions that would make spending sharply go up,” delayed vendor payments into the lapse period to artificially inflate that June thirtieth balance, and the last one I thought was striking—“seeding the agency with deadwood.” Then they have an unnamed source who says, “Real turkeys who would gum up the works.”⁷³ (Mandeville laughs) Was this a common view? Was this something people talked a lot about during the transition period within the administration?

Mandeville: Not with me or with anybody I dealt with. I don’t think it happened to any extent that mattered.

Czaplicki: That was the second question. Did it turn out to be true, these fears?

Mandeville: If it was true, I never noticed it. Did we cover when I was contacted by the Middle East guy, the oil man? And he said he could give us money, instead of selling bonds, way below market?

Czaplicki: Yes, and I wanted to ask you about that again, because I didn’t quite follow what his angle was, why that was supposed to be a good deal.

Mandeville: It wasn’t. It wasn’t real. My view is that it was a test, because the bureau director issued all the bonds and really had control of all the finances for the state. There was opportunity for funny stuff going on. I think this was a plant. The guy called and talked to me personally and said, “Look, we’ve got a lot of oil money. We can let you have it at 2 percent.” The market under the Carter administration got up to probably 11 percent. We were selling bonds at 11

⁷³ Bob Sexter, “Thompson Pitch: Less is Better,” *Chicago Daily News*, January 10, 1977.

percent, 12 percent interest when—Volcker? Who was the Federal Reserve guy?

Czaplicki: Volcker.

Mandeville: Yeah, big tall guy, Paul. Interest rates actually got that high for selling bonds. I had some three-year CDs at 16 percent from the Illinois National Bank. Those were different years.⁷⁴ So 2 percent. I can't remember what year this was, but it had to be in that area, because if he could get it at 2 percent, I should jump at it, see. I said, "No. If you want to bid, bid in the process. If you don't, you can't bid. And we're not going to take money otherwise." So I hung up.

Maybe a year later, I got this call from a blonde—I don't know if she was a blonde. I thought she was a blonde. I thought her name was probably Yvette. She didn't say what it was, but she said her dad was a retired air force colonel. They must have known that I'd been in the air force. She said they have access to money, and he would like to meet you at a certain date in this village on the border of Switzerland and Germany, and talk about financing. Well, they had to know I was going to Zurich to check out whether or not we could sell bonds cheaper in a foreign currency like Japan or Europe than we could in the US at that time, with high interest rates. The reason why I thought she was a blonde is probably seeing too many James Bond movies. I could see her dad as a colonel. He was going to meet me there, and we were going to work out a deal. I said, "No thanks. If you want to bid, bid according to the process," and I hung up. There weren't any more. So I figured it was a couple of tests. (laughs)

Czaplicki: Yeah, the first one in particular sounds a lot like Abscam, the federal investigation on the East Coast and the corrupt congressmen. Very similar setup, as it was.⁷⁵

Mandeville: Number one, I don't know any Middle East people that well to do that kind of thing, and number two, if he can offer a rate at one-fifth the going rate, there's something wrong with that. It can't be true. If the money was paying 10 percent if he bought bonds legitimately, and he was willing to loan the money at 2 percent, he's either nuts or it's a scam. Because he could have used that money and got a much higher percent in those years. Not today. Today, it would be too high. But then, it would not be.

Czaplicki: I wonder if feds were looking at you or if that was the state.

⁷⁴ After Jimmy Carter appointed him chair of the Federal Reserve in 1979, Paul Volcker pursued an aggressive reduction in the money supply to break the inflation that had steadily grown throughout the 1970s. His plan succeeded, though at the price of high unemployment and a sharp recession from 1980 to 1982.

⁷⁵ The Abscam investigation started in 1978.

- Mandeville: I think it was the state. Probably Fletcher. (laughter) Jim Fletcher and I were good friends. We used to run together. I may have told you this, but Mike Lane, who was head of Corrections, Jim Fletcher, and I would run, smoking cigars, at lunchtime through Washington Park here in town.
- Czaplicki: You mentioned you had gone running, but you were actually smoking cigars while you ran?
- Mandeville: (laughs) I can't believe we did that. I've run two marathons, and I don't think Fletcher ever had. I said, "Jim, I got a question for you. How does a person know when they've run too much or is pushing themselves too much?" He said, "Well, the way I know is when I run into a car and I start bleeding from the ears." (laughs) You've got to meet Fletcher personally if you can.
- Czaplicki: We will.
- Mandeville: He has a unique sense of humor.
- Czaplicki: He's next on the list.⁷⁶ He did seem like the character. You said John Block would go running with you too, right?
- Mandeville: John did too, yeah.
- Czaplicki: Part of that group?
- Mandeville: Yeah. It was Block and Lane who came out on my second marathon and made me run when I felt I couldn't.
- Czaplicki: Which marathon was that?
- Mandeville: It was Monticello. It was the park over by U of I, Allerton Park. Let's say here was the start by the lodge. (draws a map) You went out to the Sun Slinger, past the house in the woods, went around the Sun Slinger, came back, went out this part of Allerton, and went down Monticello Road toward Monticello. But you didn't go that far. Then you came back. It was kind of a horseshoe. So you passed the starting line six times, including the end of the race. My wife was there. Others were sitting there eating donuts and drinking hot chocolate every time I went by. (laughter)
- Czaplicki: So this race is in the fall, I take it?
- Mandeville: It's in November or late October. It's cold. The first time I did it, I was forty-nine, and I had my long pants on and my hat and gloves and a couple of coats. It was maybe twenty degrees. The other racers looked at me and said, "What are you doing?" I said, "I'm cold." They said, "Take all that off. Before long,

⁷⁶ [Placeholder for Fletcher interview. He's on board for September.]

you won't be cold." And they were right. The second time I ran it, it was also in November. It was cold, but I started out just with a T-shirt, which was what most of the runners were wearing. About halfway through the race, on my way out, I asked my wife if she'd get me a dry T-shirt. I was wet from sweating. So when I came back by, I threw my wet one to her and put on the dry one, and kept running. I also wanted to stop for a donut, but I didn't. But I cut twenty minutes off my first time, which is good. Almost a minute a mile.

Czaplicki: So Block and Lane showed up?

Mandeville: Yeah, on the twenty-fifth mile marker. I was about right here, coming into the finish line. I told my wife to come out and goad me on if I'm not going, if I'm not running. She ran too, but not marathons. So she came out to the twenty-five-mile mark, and she said, "How are you doing?" I said, "I'm tired. I've got to walk." She was supposed to say, "Keep running." Apparently, Block and Lane were looking for guys that they knew who were still not in. They both beat me. They were better runners. They came back and found me and said, "Mandeville, what are you doing?" I said, "I'm walking." They said, "You should be running." I said, "I can't." They said, "Yes, you can." So they goaded me into running. I ran the rest of the way. You can, but your mind says don't.

Czaplicki: So a *serious* runner. You kept up with it.

Mandeville: It was good times. I'll tell you, the times I spent were great. Twenty-eight years in government, not counting federal government. It was good.

Czaplicki: Back to this idea of the booby traps. Would it be reasonable to conclude the transition wasn't a cordial one?

Mandeville: Very cordial.

Czaplicki: Certainly in the budget; he just let you run the process.

Mandeville: Yeah. I don't know what they said to each other, but Walker was gracious in defeat. He was strong as a governor. He had steel blue eyes, and they looked right through you. He was intelligent. You knew why he was the head of the Marcor attorneys. But he didn't have a good political sense relative to Chicago, or he could have gone farther. I'm guessing, but he probably had aspirations to run for president. Never had the chance. If he won the second term, that was '76. That's when Carter was running. It's hard to say, but...

Czaplicki: It's pretty clear Thompson had presidential aspirations.

Mandeville: I'm sure he did.

Czaplicki: Did that shape at all that first term in office?

Mandeville: No, not the first term, I don't think. It may have shaped programs that he did later on, I don't know. But I think Thompson was too moderate to be accepted by the Republicans in the primary as a presidential candidate. That'd be my judgment. He was the right man for Illinois. Illinois will never elect an ultra-conservative governor. The Republican has to be a moderate, or he has to be a Bill Clinton type that is liberal but moves to the center when he realizes he has to. Thompson was already at the center. He told me, on at least one occasion, that I made him more fiscally conservative, and he made me more socially liberal. (laughs)

Czaplicki: But you don't think he did make you more socially liberal?

Mandeville: Not then, no. I should say it this way: My job was to keep the state solvent. I couldn't afford to be for any program. People asked me from time to time, "What do you feel about this program?" I said, "Personally, I don't like it—or I like it—but I'm not going to say anything. Thompson has program people who worry about programs and will push hard for programs, and I'll push hard not to do it if they can't be funded. That's my job, and that's my only job." So I never took a position on programs under Thompson. Fletcher and I did one time under Thompson, and that was the abortion bill, where we asked him to veto it.⁷⁷ Anything that would give funding for abortion, both Fletcher and I said, "Veto it, Governor." He signed it. But outside of that, I've never taken a position on a program, because it wasn't my place to do that. I had enough trouble with the finances. (laughs) Keeping them straight.

Czaplicki: What were your specific responsibilities during the transition, outside of preparing the budget? Did you have any other duties?

Mandeville: During the transition? The main one, I think, was briefing Thompson.

Czaplicki: So you did continue to...

Mandeville: Shortly after the election. And Walker turned everything that we needed over to us. We used his data and we used what decisions he had made so far, and took them to Thompson. Walker just stayed out of it, Bill Goldberg stayed out of it, Vic de Grazia—all of those guys stayed out of the process and let us do it. I think Walker may have actually said, "It's your budget, Governor," and gave it to him. So we briefed Thompson. But Ogilvie did the same thing. In the transition there, we briefed Walker. I did, as a former Ogilvie guy. I was flying to Chicago to brief Walker. Ogilvie let Walker have the budget.

Czaplicki: Did Thompson send you other people? In general, was there any institutional mechanism to give new cabinet appointees or agency heads briefings and

⁷⁷ [Placeholder for Thompson and Fletcher discussion of abortion.]

bring them up to speed on the state's financial situation? Was there a boot camp, a seminar?

Mandeville: There wasn't anything formal, but I did brief many of them. We did have seminars. I think it probably happened more in the comptroller's office, where I would brief anybody who wanted to on the fiscal condition. In the Thompson years, I would brief them if they wanted to be briefed. We did hold a meeting for all the agency heads before we released the budget, embargoed it. We gave them a briefing on the budget so they understood what was in the budget, and that included, necessarily, an economic and a fiscal briefing.

Also, during the process of the hearings with the agencies we would present a projection of revenues. We had already asked the agency to submit their budget. In a \$30 billion budget, it would come in at least \$2 billion too high. So then we would give them marks. We'd say, "Okay, I know what you submitted, but I want you to submit another one at this level, and don't leave out any gold watches that we know we have to have." They would resubmit it, maybe under duress, but they would do it. Then we'd hold a meeting to see if there was any give one way or the other. If not, we would agree to disagree. I would write a decision memo to the governor, and he would look at it.

Then if the agency director wanted that appeal meeting with the governor, I would set it up. The governor, the agency head, myself, his finance guy, and my budget examiner would meet and we would go over the budget. Thompson would make a decision. But it became very clear, very early, that they weren't going to win many of these on a fiscal basis. If they won, it was a program that someone was sponsoring that would have benefitted the governor, or the people, maybe, too. Probably the people. But on the fiscal count, they seldom won. Except the prairie chickens. That was it.

Czaplicki: I was wondering how people learn government. You're bringing in all these new people who suddenly have to run these programs.

Mandeville: First of all, I'm not sure that agency heads really ran the agency quite often, because they were, in many cases, political appointments. Though they can be hired and fired at the discretion of the governor, they already had in place a bureaucracy that basically ran the agency. They could come in and change it to implement anything the governor wanted to do, programmatically. But basically, government is going to keep doing what they're doing no matter who the governor is.

Czaplicki: People like Jess McDonald or someone, who's already there.⁷⁸

⁷⁸ Jess McDonald was interviewed by Mark DePue for the Gov. Jim Edgar Oral History project. <http://www2.illinois.gov/alplm/library/collections/oralhistory/illinoisstatecraft/edgar/Pages/McDonaldJess.aspx>.

Mandeville: Right. Jess in Mental Health. It may not be Jess, but you're not going to stop doing mental health. And you're not going to stop locking up prisoners; you probably should cut back on the number, but you're not going to stop locking them up. A new director comes in, and he has to maintain thirty prisons. What does he do? He can't close the prison. He can't open a new prison. He has to maintain what he has. So he calls on his wardens and on his chief staff right beneath him, who probably stay on. They tell him what's going on. They are the ones who tell him what the agency is doing, more so than I. I would only tell him the fiscal and the economics, which may tell him that what's coming up is not going to be very nice. (laughs)

Czaplicki: Earlier, you mentioned the Bureau of the Budget serving as a training ground. You're populating some of these long-term civil servants, who in many ways are really running the agency. Does this smooth out the budget process to have these people that, in a sense, already think the way you do?

Mandeville: It does, not because they do it the way I do it, but because they're competent. These guys were good. I mentioned before, we'd go to fifty universities every spring. The guys would bring back resumes for maybe more than fifty. We'd narrow it down to fifty, then we'd pick ten of those, and hire two of the ten. We got the best of the best, and almost everyone had at least a master's in a relevant field. It may be programmatic, it may be mental health, it may be corrections, if they have master's in those programs. It would be something that was relevant to what we did in the bureau. My feeling was that we had good, competent people in the bureau, not only when I was there, but when McCarter was there, probably when Walker's guy was there, and probably today. There are good, competent people who could easily be the chief fiscal officer. That's why I wanted them to go. But they didn't necessarily follow my way of doing it.

Czaplicki: They didn't? That's interesting, because you would expect that there still must have been a certain culture at the Bureau of the Budget.

Mandeville: There was.

Czaplicki: A way of analyzing, or just the whole mission?

Mandeville: All I would hope they would do was to be on top of things. To know that budget and the programs as well as anybody in the agency, where they could help the director. If they did that, I'd be satisfied. Most of them, just the length they stayed meant they were doing the job, or they wouldn't have stayed. They stayed across governors.

Czaplicki: This professionalism that you're searching for, obviously, is important. You want this throughout government. But are there some agencies where it's critical that you have that compared to other agencies?

Mandeville: Have what now?

Czaplicki: People who have this level of budgetary knowledge and professionalism. Is this something where it's maybe not as important at some agencies?

Mandeville: It's not as important in the Liquor Control Commission, but there are ten agencies, roughly, where you need competence. Probably 95 percent of the general fund are spent in those ten agencies. The other forty agencies spend 5 percent, and they can be handled with lesser talent. They don't necessarily have a guy that does fiscal only. They might have a deputy who does a lot of things, including budget.

Czaplicki: So you had a pretty rigorous process for selecting the people that were going to work for you.

Mandeville: We did.

Czaplicki: Did you have any insight into Thompson's process for the people he chose as he's staffing the government?

Mandeville: No. I just had one. I think in early '77, after he took office, he made me chairman of the Capital Development Board. They built buildings, as opposed to highways. Then I was head of the bureau and head of the Capital Development Board. Sometime in the spring of '77, Bob Donahue, who turned out to be a good friend of mine, was called in. He was a pilot during the war, and we later flew together in a Cessna 206.

Czaplicki: World War II?

Mandeville: Yeah. He was about ten years older than I am. Thompson called me up on the phone. He said—he called me Dr. Bob—“Dr. Bob, I've got Bob Donahue up here, and I want to tell you something.” “Yes, Governor?” “You're fired.” I said, “Good.” I said, “From which job?” He said CDB. I said, “That's good, because it's illegal for me to hold both offices.” Under the law, I can't hold another office. The [director of the] Bureau of the Budget can only hold that office, and for good reason. If I also am head of Mental Health, who would I favor?

Czaplicki: Conflict of interest.

Mandeville: Right. They've written it into law. I said, “Governor, you know that I can't hold both offices.” He said, “Well, you won't have to anymore. I just appointed Bob Donahue as head of the CDB. I want you to come up and meet him.” That's the first time I met Donahue. I really didn't have an input, because he had already chosen Donahue. But Bob later became head of

aeronautics, and he also went to the federal government under one of the Bushes and became head of one of the major divisions of aeronautics, the one that approves airports. If you have a new airport, you have to get clearance from the FAA to do the airport.⁷⁹

Czaplicki: If you're not seeing exactly how he's hiring people, you're certainly having interactions down the road with many of the people that he appoints. I'm going to put you on the spot a little bit and just get your impression on various names in that first administration. The first, obviously, is Jim Fletcher.

Mandeville: Jim was a professional funny guy, but I think that was probably to take the pressure off himself. An easy guy to work with. He had a lot of faith in the bureau. It was partly because of Jim Fletcher that we were held in pretty high esteem by the governor, because Jim Fletcher had a direct line to the governor. And initially I did, but not in the same way, not in a political sense or a social sense. We were far apart.

Czaplicki: You're more of an outsider to that circle, right?

Mandeville: Yeah. We didn't go in the same social circles. Fletcher did to some extent. He was very smart. Extremely good interpersonal skills. He worked well with the unions—too well, maybe.⁸⁰ He operated as an important person in Thompson's first few years, and then he left. I think maybe Art Quern took over at that time. I'm not sure.

Czaplicki: I think that is right. He moved over from Public Aid, right?

Mandeville: Yeah. And unfortunately was killed not too long after that in a Lear jet.⁸¹ I can't say anything negative about Jim Fletcher. Everything is positive. He was a good friend. We would get together now and then. We'd run at lunchtime quite often. I'm not sure he did any marathons.

Most guys won't do marathons. They'll do the 10K and the 5K, maybe up to a half marathon. A marathon is a different world. This one guy down the street, after I did my first one—his name was Neil. Neil said, "Hey, I heard you just did a marathon." I said, "Yeah. You really ought to do one." So he began

⁷⁹ Donahue became the associate administrator for airports at the Federal Aviation Administration (FAA), which was folded into the Department of Transportation in 1966. Sam Skinner was the transportation secretary for President G.H.W. Bush, before serving as his chief of staff. Skinner was a key adviser for Governor Thompson, since working for him as an assistant U.S. attorney, and he succeeded Thompson as U.S. attorney. [Placeholder for Skinner interview]

⁸⁰ A reference to the first contract the Thompson administration worked out with state workers represented by AFSCME in 1977. Mandeville discusses this contract in his fourth session with Czaplicki. [Placeholder for interview with Fletcher, who said he'd be glad to talk about the contracts with public employee unions(?)]

⁸¹ Arthur F. Quern was killed October 30, 1996, when the corporate jet he was traveling on crashed while taking off from Palwaukee Municipal Airport. At the time of his death, he was chairman of the Illinois Board of Higher Education and chairman of Aon Risk Services Companies. *New York Times*, November 1, 1996.

training for a marathon. After he finished one, he came down and he said, "Everyone should do one marathon. But if they do more than one, they're nuts." (laughs) So he did do one at least.

Czaplicki: Fletcher, as I understand, was also—

Mandeville: I worked closely with Fletcher.

Czaplicki: The initial budget preparation? Was he the main liaison between the governor and your staff? Or am I misreading that?

Mandeville: No, he was not too much involved in the budget as I recall. I did it basically on my own with the staff I had. The budget was prepared in the month of November, December, and January. Fletcher didn't really come on board until the governor was inaugurated in January. He would probably advise him, but I don't recall him sitting in on any of the transition meetings. He did not have much influence on that budget, but he became a sponsor of the bureau. He became very close to us, and we dealt closely with him after the first two or three years. He was a good ally, and he understood it, and he supported us.

Czaplicki: How about Art Quern?

Mandeville: Art Quern was a jewel. He was good. He was head of Public Aid and he had compassion, but he also had common sense to know how much he could do. He lost the argument of a COLA for recipients. They both lost it. We didn't do either, because we didn't have the money to do either. So we didn't do the single cells. Lane might have had the—

Czaplicki: He eventually gets COLA, I think, in '81. The General Assembly.

Mandeville: Oh, yeah. They did in '81, yeah. But for the first few years, they didn't. The single occupancy, or even double occupancy, as opposed to the cell blocks, which are now all gone, I think—I think Lane had a good argument that if a guy acted up in a cell block but otherwise was able to be rehabilitated, you put him in a lesser environment so that he could be rehabilitated. Because he'd never make it up there with Speck and all those guys in the maximum. But to create single cells, it's just unaffordable. We do have two-guy cells, but we also have doubled the population that the prison was designed for. Jacksonville has a thousand. It was designed for five hundred. So they hung a second bunk on the wall in each of the four sections of the prison.

Czaplicki: All right, Paula Wolff.

Mandeville: Paula was very good at what she did. She was a program person, and she fought hard for programs.⁸² She would win if the money was there to support it. She would lose if it was not. That was basically what happened. Thompson was the kind of guy who wouldn't confront or embarrass anybody in a joint meeting. If Paula and me and maybe Fletcher or someone else, Quern, were in a meeting about a new program, Thompson wouldn't make a decision there. He would say, "Okay, I understand what you're all saying. I'll get back to you." If the issue was finances, he would call me, and I would normally win. If the money was there, even if I objected, and it was a program that he felt was worthwhile, then Paula would win. But she did her job very well, which was the program advocate, and I did my job, which was financial, keeping the state solvent. Thompson would never cross the line, in my experience, if it hurt the solvency issue. Unless he did it secretly, [something] I didn't know about, but I don't think he did. He would side with the bureau and tell the program people, "I agree with your program. We just can't do it this year because we don't have the money."

Czaplicki: So you think that was his leading priority, solvency?

Mandeville: It had to be if he wanted to get reelected. Because the next election, Bakalis ran against him. Bakalis had proposed a program that he didn't understand himself, and Thompson didn't know what it was. Kolhauser and I went over to the comptroller's office and talked with the guys there and found out what the program was, and then we priced it out. We gave a memo to Thompson saying this program is going to cost a billion dollars and we don't have it, and neither do they know where it's going to come from. Thompson used that in the debate that night, and as a result, it probably swung the election to him. I'll show you the letter he wrote afterwards.

Money was important to the process, always. If the money wasn't there, and someone was advocating it and couldn't tell you where the money was coming from, they lost, because Thompson would veto it if it got passed. There were things that were passed that probably should not have been. (pages turning) Time-wise, it's probably about right in here.

Czaplicki: In the right ballpark. There's a letter.

Mandeville: This is Walker's when I left, saying, I want you to stay, but I understand if you made a commitment. It would be after that.

Czaplicki: Did you make copies of this for all of your kids, or is this the only copy, and it gets passed around?

⁸² [Placeholder for Mark's interview with Paula and my interview with Barney Turnock(?)] On the role of the program staff, see Joan Walters, interview by Mark DePue, July 15, 2009, 22-24. For another appraisal of the relationships within the executive office, see Jim Edgar, June 10, 2009, Volume II: 276-277.

Mandeville: No, each of our kids. This went to all my in-laws.

Czaplicki: So this is the letter?

Mandeville: From Thompson, yeah.

Czaplicki: June 14, 1978. Office of the Governor: "Dear Bob, I want you to know how grateful I am for all the assistance you provided in helping to prepare me for the debate last night. Not only did it go exceptionally well, but I feel we were able to accomplish what we set out to do, and for that I feel good. This would not have been possible without you, and I appreciate the sacrifices of time you made on my behalf. Many thanks."⁸³

Mandeville: What prompted that was us telling him, "This guy's got a program that costs a lot of money, and he doesn't know where the money's going to come from." That's all you have to tell Thompson. He'll take it from there and embellish it.

Czaplicki: Was that common? Would he often write thank you letters?

Mandeville: Actually, Walker did, Ogilvie did, and Thompson did, and George Ryan did when I was head of his budget committee in the transition. No, he wouldn't do *this*. This was unusual. If I sent him a memo, he would write back "Thanks" or "Good job" or something like that. Like one time, all the agency directors were getting increases, so I wrote Thompson. I said, "The other guys are getting increases and I'm not, so here are some options. Give me nothing, give me this, this, or this." He sent it back, "You pick the one you want." (laughs) That was Thompson. He didn't care how much I made.

Czaplicki: How about Dave Gilbert, the press secretary?

Mandeville: I like Dave. Dave was good for Thompson. He was very good with the press. Again, good interpersonal skills, which are key if you're that high up in an organization. You have to have that. You can be maybe as smart as can be, but if you can't deliver it by meeting people in a reasonable fashion, it won't work. Dave had the ability to do that, and Dave Fields under him was very good too.

Czaplicki: Could you talk to the media before talking to Dave?

Mandeville: Could I? Yes, I could talk to the media whenever I wanted. Many of these, you'll note, were just conversations with the media. Or, in this one here, for example, I did very little talking with the media, so they talked to someone else to fill out some sort of a profile. They asked me what I thought, and I said, "Well, my only objective is to get my marathon down to three and a half hours." Yeah, I could talk to the media whenever I wanted to.

⁸³ [Placeholder for Mark's interview with Bakalis(?)]

Czaplicki: Was that generally the rule for most of the higher-level staff?

Mandeville: I'm not sure. I think so. I think Paula could, I think Jim Fletcher could. Thompson was very loyal to the people who were loyal to him, but if you crossed him once—and one guy did. He fired him. He wasn't afraid to fire someone. But he would stand up and back you if you were loyal to him, even if you made a mistake.

Czaplicki: Would you care to go into any details about the firing?

Mandeville: The firing? I don't want to mention names. It was an agency head. No reason to hurt him. He has since recovered. (laughs)

Czaplicki: Fair enough. Would you ever use Gilbert's services? For instance, when you're working out a budget, when you're looking ahead, you're thinking about imposing austerity or something like this. Would you work through Gilbert to float trial balloons to see how that was received by the public?

Mandeville: Not in that way, but I would ask Dave's advice on how to proceed with the press. Do we call a meeting and hope that they will honor the embargo? Which they did, by the way. Or do we do what Walker did and not give any budget books out, and have the first press briefing on the budget? He was crucified in the next three years for doing that. You just don't do that. Goldberg and de Grazia and Walker must have talked before, because they said the governor should have the first crack at telling what's in the budget. Walker's press guy, Norton Kay, and I said, "Governor, that would be a big mistake." You've got to treat them with respect. They're out there doing a job. If they honor the embargo, there's no reason not to give it to them ahead of time.

Czaplicki: Were there reporters that you had particularly good relationships with?

Mandeville: Not really.

Czaplicki: Or, going the other way, any particular nemeses in the press?

Mandeville: He never misused it, and it didn't happen when I was with the bureau, but John O'Connor had a way of getting it that irritated people. (laughs) But he never hurt me. He always gave it straight.

Czaplicki: Who did he write for?

Mandeville: He writes for the *Journal-Register*. Maybe the AP, I'm not sure. Or he may just be a staff guy. He doesn't appear very often, but when he does, it's a controversial issue. Charlie Wheeler, I liked a lot. Bill O'Connell from Peoria.

The guy that preceded him for the *State Journal-Register*, Kenneth Watson. Michael Briggs at the *Sun-Times*. A couple of those at the *Tribune* and the *Sun-Times* were good. And the guy from [Champaign] *Gazette* was very friendly with us, open, and exchanged views quite often. I think it's called the *Gazette*.

Czaplicki: Is St. Louis the *Post-Dispatch*?

Mandeville: *St. Louis Post*, yeah.

Czaplicki: They would cover Springfield as well, right?

Mandeville: They did.

Czaplicki: And you were a hometown boy.

Mandeville: Yeah. Who was the guy down there? Taylor Pensoneau, he wrote books about Ogilvie and others. He might have been on the *Post-Dispatch*. He was a straight shooter. He was good. I don't remember too much of the reporters. I didn't really relate to them in a personal way. I got up there and I briefed them. There were thirty of them in the room, and I may have known six of them. But I didn't know them well enough to really have an opinion. I don't remember any of them really sabotaging me or the bureau or the governor on something I may have done. I felt good about meeting with them. I had no qualms about briefing them on the budget and on things that were going on, the economics and so on.

Czaplicki: I think this is a good point to stop. Tomorrow, we'll pick up with just a couple more names, and then we'll finish off the transition and move into talking about some of the policy initiatives and what was going on.

(End of interview 3)

Interview with Robert Mandeville

IST-A-L-2013-103

Interview # 4: February 11, 2014

Interviewer: Mike Czaplicki

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This session contains a limited amount of redacted materials. The redaction will be lifted on January 1, 2026.

Czaplicki: Today is Tuesday, February 11, 2014. I'm Mike Czaplicki with the Abraham Lincoln Presidential Library. I'm here to pick up my interview that I stopped yesterday with Dr. Bob Mandeville. Good morning, Bob. How are you?

Mandeville: Fine.

Czaplicki: Bob has brought some show and tell with him today. What are we looking at here?

Mandeville: I mentioned yesterday that a new administration, a governor coming in for the first time, will want to try to craft a tight budget in the first year. He would want to draft it in a way that the revenues exceeded spending. Why is that? Because when you come off a year when you had more revenues than spending, in the following year you can spend the same amount of money as you have revenues and still increase the available balance, or you can increase spending more than increased revenue. In other words, you can grow spending by more than revenue grows, and still maintain a balanced budget. That's the key. But then in the subsequent year, you would try to again have revenues exceed spending; you would try to build up the balance. The first few years of Thompson, actually, we did. Went from \$50 million to \$450 million or something.

This chart here, Mike, I show a beginning balance, a revenue number, a spending number, and an ending balance number. Then I show two possibilities. You want a balanced budget, where revenue equals spending. If you want only a balanced budget, you can increase spending more than the revenues increase, basically by the amount of the difference in revenues over

spending in the prior year. However, if you want revenue increase to equal spending increase, then you actually increase the available balance by the amount of the difference in revenue over spending. That won't come across in talking so well. (laughs)

Czaplicki: I'll put this diagram in the transcript so people see what you're referring to.

Case 1: Coming off a year when revenue exceeds spending

Fiscal Year	Beginning Balance	Revenue	Spending	End Balance
2013	300	10000	9900	400
2014	400	10300	10300	400

Fiscal Year	Beginning Balance	Revenue	Spending	End Balance
2013	300	10000	9900	400
2014	400	10300	10200	500

Mandeville: Here's why you don't want to come off a deficit year.

Czaplicki: Okay, chart number two. Deficit years.

Case 2: Coming off a year where spending exceeds revenue

Fiscal Year	Beginning Balance	Revenue	Spending	End Balance
2013	300	10000	10100	200
2014	200	10300	10300	200

Fiscal Year	Beginning Balance	Revenue	Spending	End Balance
2013	300	10000	10100	200
2014	200	10300	10400	100

Mandeville: Same numbers, except I now have the spending higher than revenue in 2013.

Czaplicki: So 2013, you had 10,000, and spending is 10,100.

Mandeville: Right. In 2014, if I want spending to increase the same as revenue, I would have to take it from the balanced budget by the amount of the previous shortfall in revenue.

Czaplicki: You have a beginning balance here of 300. Revenue was 10,000. Which gives you a total of 10,300. Spending is 10,100. So your ending balance is 200. You begin 2014 with that 200. But you have a revenue increase, so your revenue for that year, instead of 10,000, is going to be 10,300. So now your total funds available are 10,500. Right?

Mandeville: Yes. And then look at the spending. Spending is set equal to revenue, because you want a balanced budget. If you do that, you can only increase spending by two hundred, even though revenues went up three hundred. A basic concept in multi-year financial planning.

Below, I have the one where you want the revenue increase to equal the spending increase. If you do that, you can only do it by taking it from the available balance. It's like any savings or checking account: if you start drawing from it, and you draw more than you put in, eventually it reaches zero. In this example, it goes down to one hundred, and if you follow that one more year, it would be zero. So you'd go from three hundred to zero. This is the basis for multi-year financial planning. If you don't do multi-year financial planning as a budget person, you're liable to be in big trouble.

Now, factored into this, and not shown on this simple chart, is all the elements that make up the spending number. But the spending number is controllable if you want to do it. It is controllable, no matter what the feds have said, no matter what the state says. It is controllable. The governor has the power. In the final budget that I prepared, for fiscal '91, I used a tongue-in-cheek-type explanation: Of course we can balance the budget. It's balanced when we submit it to the General Assembly. They unbalance it, and the governor cuts and balances it again. Then something unexpected happens, like a recession, and it becomes unbalanced again. Then you take action to balance it again. So it's balanced whenever you want it balanced, and you always have a balanced budget, if you want to call it that. But whether it is balanced or whether you have a deficit in a year, or some future administration picks up a deficit from their view, what you have to do is ask them, "What are your premises?" If you agree on the premises, you will agree it's a deficit. If you don't, you say, "I don't agree with your assumptions. Public Aid is not going to grow that much." Or, "The economy is going to grow more," or whatever the premises happen to be. Okay, that's for your light reading.

Czaplicki: I'll hold onto this. That is one thing I'm going to do down the road. I showed you the comptroller's figures, but I want to go get the budget books. I want to look at what the executive recommendation was, and then what actually happened by the end of the year, what ultimately did get taken in for revenue, what did get spent, so then we can do some comparisons.⁸⁴

Mandeville: Pick up '91 if you've got it. That's the last one we did.

Czaplicki: We talked about the governor having some options for balancing the budget. I assume some are better than others, because there's two things we might do. We could actually cut spending and try to bring it back into line with what we wanted, but we could also time-shift. We could shift the timeframe that we're

⁸⁴ [Placeholder for *Handbook* compilation of tables I-A and II-B from the budget books.]

dealing with. We could take some bills out of the current year and push them forward.

Mandeville: Right, but that's not a solution. But it's a temporary one, yes.

Czaplicki: We've done that a lot in Illinois, haven't we?⁸⁵

Mandeville: Oh, probably. I certainly wouldn't do it, but yeah. We have, I'm sure. That's legitimate, because they've actually changed the law to allow certain expenditures that are considered critical, such as income maintenance and Medicaid, to be spent without a time limit. I mean, the old appropriation continues on, where normally it doesn't. It stops on June thirtieth.

Czaplicki: Right, and it can go beyond the lapse period.

Mandeville: Yes.

Czaplicki: Section 25, I think, is what that is?

Mandeville: Yeah, that is where it would be in the State Finance Act.

Czaplicki: I do want to talk about that, but ultimately I think we'll save that for maybe our last session, because that's one of the big issues facing us today: How did we get into this mess? We can go and revisit that. Picking up where we left off yesterday, I was having you run through a few personalities in the administration and your interactions with them, your assessment of what they were like. We had talked about Jim Fletcher, Art Quern, Paula Wolff, and Dave Gilbert. The next person I wanted to ask you about isn't really an administrative staff member, but still a member of the team in a sense, particularly during the campaign, and that is Dave O'Neal, the lieutenant governor.

Mandeville: Dave O'Neal, as I recall, was a black-belt, karate. The sheriff of St. Clair County. What do you want to know about Dave?

Czaplicki: Did you deal with him much in terms of budgeting or any of these issues?

Mandeville: No.

Czaplicki: Was he ever around? Was he just off on an island somewhere?

Mandeville: He's the one that quit.

Czaplicki: It's a lonely job, right?

⁸⁵ State Budget Crisis Task Force, "Illinois Report" (October 2012), <http://www.statebudgetcrisis.org/wpcms/wp-content/images/2012-10-12-Illinois-Report-Final-2.pdf>.

Mandeville: The lieutenant governor in Illinois has only the powers that the governor gives him or her. It's not an important post, and their budget is very small, so we don't really bother it. It doesn't change anything. No, we have very little dealings with the lieutenant governor.

Czaplicki: Several times, you've mentioned John Block and Mike Lane. It sounds like you had a pretty strong relationship with them, and they're part of your running group.

Mandeville: On running, yeah. We argued during the year on budgets. (laughs)

Czaplicki: This is what I was curious about. One, how do you characterize their personalities, and how did that relationship develop? And then what were your interactions like over budgeting?

Mandeville: Let me give you an example. In college, for the first two years, I boxed on the boxing team. They had the smokers, where all the students from St. Benedict's in Atchison, Kansas, would come to the gym. Had this ring set up. I would box whoever it was. One guy from Kansas City and one guy the next year from Boys Town. When we were boxing, my defense—I call it defense because I didn't have much of an offense—just a left jab. I threw maybe a hundred per round. The other guy caught me with a right to my jaw, and I actually heard bells. (laughs) I never heard them before. I won the fight by a split decision. While we were in the ring, we were enemies. But the guy from Boys Town, Frank Szminski, was a great guy. I liked him, and we stayed friends outside of the ring. When he came to Springfield High to put on a musical production—he became a choir director—I went down to see him, and we shook hands.

When you're in a budget negotiation, you are enemies. But outside of that, almost always, we were friends. Especially Mike Lane—we used to run together in Washington Park during the noon hour. Jack Block, the same way. A great guy from up around Knox County, Knoxville. That's where he was from. He was a big pig farmer. That's how I would characterize Block and Lane.

Jim Zagel was head of the state police while Thompson was there. We had a budget meeting. I think they were housed in the building on Second and Monroe, the Armory. So we went over to the Armory. We were in a big garage with trucks. Jim Zagel had a pickup truck with the mock-up of a state trooper in the truck, dead. We were arguing about whether they needed better chest protectors for the troopers. He said, "If I'd had those chest protectors, the ones I'm asking for, that man would still be alive." So I walk over to the truck. Guy was shot right between the eyes. I said, "Jim, how would that have saved him? He was shot in the head." I won the argument. Maybe I shouldn't

have, but... So we were contestants. We confronted one another during the budget meetings. Afterwards, we're friends.

Czaplicki: And some of the appeals might get emotional at the meeting?

Mandeville: Yeah. The best one, if I can divert for just a moment, was with Ogilvie. Now, Ogilvie was unique. He was a great governor. John McCarter was director of the budget, and I was the head of the division that set spending limits and estimated revenues. We were explaining to Governor Ogilvie that John Lewis, who was director of agriculture at the time, would not stay within our allotments. He said that he was appointed by the governor, and the only guy he'll listen to is the governor. So Ogilvie, who smoked a pipe in these meetings, took a couple of puffs on the pipe and said, "Well, John's right. I did appoint him, and if he wants to only listen to me, he can do that. Send him a letter and say, 'Okay, John, you're right.' Make it from my signature, and just say, 'Director Lewis, I understand that you said this and that, and I agree with you. I did appoint you, and if you only want to listen to me, that's your right. But the first time you violate an allotment from the bureau, accompany it with your resignation letter.'" That was the end of the problem we had with John Lewis. John Lewis was a farmer from east-central Illinois. Good man. He just had a different view.

Actually, it's not unusual, because when Ogilvie took office, he brought an organization to Illinois that they never knew. It was the OMB from Washington, DC, kind of an organization. The director had a lot of power. We sold all the bonds, for example. Any bonds that needed revenue from the state, we would sell them. Other commissions used to do that. We had the power of telling agencies not to spend all the money that the General Assembly appropriated, and we were backed up by the governor. That's all you need to make it work.

Czaplicki: Do you recall any other...

Mandeville: Confrontation?

Czaplicki: Confrontations in the Thompson administration?

Mandeville: That was Ogilvie, but yeah.

Czaplicki: I was thinking the early one with Zagel, for instance.

Mandeville: Yeah, Zagel. The other one, I think we mentioned, at least briefly. Art Quern and Mike Lane were debating whether you give a COLA to the welfare recipients, or [fund] single cell prisoners, to maintain more control over them and reward those who behave in a round cell-house environment, which is not very nice.

There's one other one. It's kind of humorous, and it's not really a confrontation. Jack Wallenda was a Chicago policeman. Thompson gave him the Liquor Control Commission. It was a small commission with maybe a staff of seven. Jack had a private secretary, and there was one other one. He wanted a second secretary. He wanted to appeal to Thompson because he knew Thompson liked him—I guess he liked him. We went up to Thompson, and Thompson listened and said, "Okay, I'll get back to you." He called me afterwards, "Bob, give him the secretary. It's his first time in state government, and it's okay, it's not going to cost us that much." I said, "Okay, Governor." So I gave it to him.

The next year, he comes in with *all* kinds of papers. I had a circular desk in my office that I brought from home so that nobody was at the head of the desk; we were all equals during the negotiations. However, I had certain powers they didn't have. (laughs) So he lays out all of these papers on the desk. I'm sure he had a good argument. He was going to win this one and get another secretary or something. Well, the guy went to the first paper, he hit his coffee cup and it spilled on his papers, and it ruined him. He could not mount an argument, and I won hands-down. So that year, Thompson said, "Is Wallenda satisfied?" I said, "Yes, Governor. We reached agreement. There will be no appeal." The third year, Thompson says, "Do we still have a Liquor Control Commission?"

My point is that that's the aging of an administration. A governor should look at the top ten agencies that comprise 95 percent of the budget and let somebody else, like the bureau, or whoever he wants, handle the other forty agencies that comprise only 5 percent. Thompson did that, but most governors—Walker, for example, wouldn't do it initially. He wanted to see every one. But as his administration went on, he began to let others take care of the little ones, because his time just didn't allow him to go into the detail on fifty agencies. Leaving open the right for the director of the small agencies to appeal to the governor. We always did that, anybody who wanted to.

Czaplicki: That's an interesting way that Thompson, we might say, grows into the governorship. Were there other ways that he changed over time?

Mandeville: I think his ease at dealing with people. According to a newspaper account—I don't know if this is true—he was down in Jerseyville, which is southwest, down by St. Louis, on Highway 16. He was standing on the street corner in the square in Jerseyville, and he had an aide with him. He always carried an aide. They helped drive him around and so on. He turned to the aide and said, "How come nobody is coming up and talking to me?" The aide said, "They don't know who you are." This was in '76. He just began his campaign. You have to go out and say, "Hi, I'm Jim Thompson. I'm running for governor." If you saw Thompson later, that was not a problem. He was very, very good at

interpersonal skills. He was very good at campaigning. My view is he could have been governor forever—until they changed the constitution with a limit, which they haven't yet—if he wanted to. But he went fourteen years and that was enough for him. I think his ease of dealing with the public matured; I'm sure he had to deal with them as an attorney in Chicago.

His understanding of finance was incredibly fast, simply because he was a very fast learner. His easing of social programs, and letting me grow in social consciousness over the years, was another one. That changed me, I guess, more than him. And I did grow some, but not as much as he probably would have wanted. He would have liked to have had more programs, I think, than was possible in the conditions we were in, both the General Assembly and the general financial condition.

Czaplicki: So those financial constraints limited what he was able to do in a real way?

Mandeville: And that's true with every administration. He had one recession in '81. It lasted a couple of years. Outside of that, it was fairly normal revenue growth. If you look back over many, many years, revenue growth was about 5 percent a year, on average. Not every year, but on average. So in those ways, he changed. I thought, personally, he was comfortable in the job from the very beginning. It's just the way he is. I never saw him get excited. He took action when he had to, but he was reluctant to take action against anyone that he had hired. He was very loyal to the people he hired.

Czaplicki: You had said earlier that if he did have to fire somebody, he would do it.

Mandeville: And he did. Same with me in the bureau. Even though I had no personnel code to follow, I hired a guy that simply was not working, so I fired him. I interviewed another guy from a large university in Michigan—there's only two, right? (Czaplicki laughs) We had a very long, full-day interview process. He probably went into ten interviews with different people, including myself. After the interview, we decided not to hire him, because in our process, we had ten finalists and picked only two. He was not one of the two. So he filed a complaint, a human rights—[arguing that] because he was black, we didn't hire him. Well, we did hire blacks. Tony Small, for example, and John Lambert, who is still in Springfield. It went to the human rights department. They interviewed us, they interviewed the guys who interviewed him. They interviewed us as to our process. They said, "You just followed the normal process." We said, "Yep, that's right," so they dismissed it.

Dismissing someone is difficult. I think it was difficult for Thompson. It would be difficult for me. I didn't have to do it very much, because our process for hiring pretty well eliminated the duds before they ever got to us. But yeah, he would take action if he had to.

Czaplicki: You just made me think of hiring with that story. Thompson put the hiring freeze in place. When did he do that, 1980? Seventy-nine, maybe? Was it that early?

Mandeville: I don't know.

Czaplicki: It was fairly early on in the administration.

Mandeville: One logical time would have been the '78 budget. That was his first budget. And to make it a budget with a surplus—hopefully a surplus, at least planned a surplus—a hiring freeze would help. The other logical time would have been during the recession of fiscal '81, which started in calendar '80. I don't know for sure which it was. I do recall that he did that.

Czaplicki: How significant of a fiscal measure is that, versus the potential political benefits? Really what the hiring freeze does is, yes, maybe there's a budgetary argument you can make, but you're also politicizing hiring, because you're centralizing it in the governor's office and they're picking Republicans.

Mandeville: The general public doesn't care if you cut government employees. They would applaud you.

Czaplicki: If you cut government employees, they might applaud you, but...

Mandeville: If you cut their caseworker, they'd be upset.

Czaplicki: Or if the litmus test to get hired—it's not simply just a cut. It's, We're putting on a freeze, and then when we do open up the gates to let some people come in, they're going to be Republicans. I think an argument can be made that does bother some members of the public.

Mandeville: An argument could be made. I never experienced that, because he never asked me who I was hiring. Never referred anybody that I remember. But if he did, he said, "You don't have to hire them, but just look at them." We had a unique situation, though, compared to most agencies. We could hire anybody we wanted.

Czaplicki: A lot of autonomy in the budget bureau, it seems.

Mandeville: Yes, right. That is one thing, a governor should let the budget bureau operate the budget, because they are the best-qualified to do it. I don't care who the governor is. Walker probably, I would guess, did not let the budget folks do it as much as he should have.

Czaplicki: Could you make the same argument for other agencies as well?

Mandeville: For?

Czaplicki: Corrections should be left alone to run corrections. Public Aid should be left alone to run public aid.

Mandeville: Absolutely, within the spending constraint; they can't exceed the spending constraint. Because that was my job. If we gave them a mark of fifty million for the year, I believe the director, with the governor's concurrence as necessary, should be able to do whatever he wants within the fifty million. We probably set it at forty-nine, or 2 percent less, and you can't go above that without approval from the bureau. On personnel, that's a different matter. They are controlled by the personnel code, almost every agency in government, unless they are exempt specifically, and not too many of them are. They have to follow the personnel code. So they are limited, but within those limitations, yes. I think directors should be given a lot of autonomy.

Czaplicki: Ultimately, the hiring freeze gets taken down, right? Because there is a lawsuit that goes all the way to the U.S. Supreme Court, when we get the *Rutan* decision.⁸⁶

Mandeville: Oh, but that wasn't the hiring freeze. That was a question of hiring only Republicans.

Czaplicki: Right, which people saw as being linked to the freeze, because that's the first step. In order to set up the model, you need to get control over the personnel supply.

Mandeville: I never linked the hiring freeze to *Rutan*, though.

Czaplicki: No?

Mandeville: *Rutan* was a case where, allegedly, there was insider influence, hiring only the people of a certain party.

Czaplicki: It was the last step in the process, because we start off with the Shakman Decrees in Chicago, we get the decisions that say you can't fire people, and then eventually, with *Rutan*, we say—

Mandeville: You can't fire them because they're Democrats. A hiring freeze does not necessarily mean firing people.

⁸⁶ On November 12, 1980, Governor Thompson issued Executive Order 5, implementing a hiring freeze for the roughly 60,000 positions under his control. *Rutan v. Republican Party of Illinois*, 497 U.S. 62 (1990). By a 5-4 vote, the decision extended the rule of *Elrod v. Burns*, 427 U.S. 347 (1976) and *Branti v. Finkel*, 445 U.S. 507 (1980), determining "that promotions, transfers, and recalls after layoffs based on political affiliation or support are an impermissible infringement on the First Amendment rights of public employees." Justice Brennan wrote the majority opinion, which cited the petitioners' argument that Thompson, through the freeze, "has been using the Governor's Office to operate a political patronage system to limit state employment."

Czaplicki: —it applies to hiring as well.

Mandeville: What is it, 2 percent of the workforce in Illinois is state government employees?⁸⁷

Czaplicki: I'm not sure what the percentage is.

Mandeville: What do you think the other 98 percent think about state employees, and whether or not it's thirty thousand or twenty thousand? They'd rather have twenty thousand, I think.

Czaplicki: I think in the abstract, but if you then give them extra information, you say, "Okay, but we're going to cut that two thousand"—

Mandeville: From a program you like. (laughs)

Czaplicki: The program you like, or I just think there's a certain sense of the level playing field. That we don't take political affiliation into—

Mandeville: Oh, yeah. I was not including that. Just a straightforward hiring freeze. That brings up another point, then. The way the administration should handle a decrease in employment is by attrition, not by firing. Across time, there's enough people leaving voluntarily, retiring or just taking other jobs, to handle almost any fiscal problem. But you should not do it by firing ten thousand people. Let eight hundred people a year attrit, and then don't rehire, or rehire half of the eight hundred. Various models.

Czaplicki: Could you change classifications? I was looking at the Bureau of the Budget's numbers, and I think that first year you came in, you had seven or eight people who were accountant IVs. Then in '78, the accountant IVs were gone, but there were now eight accountant IIs. I don't remember the exact classification, but is that something you could do? Could you keep the positions, but, as people exit, when you go to hire somebody new, change what the duties are?

Mandeville: Yeah. What you would be doing, you wouldn't change the accountant IVs. You would create an accountant II, and not fill the accountant IVs. May be the same thing. You would hire the accountant II if that would do it. The bureau had very few accountant IIs, if any, because we hired people who were budget examiners, primarily. Now, in the early days, there was a Department of Finance, and John McCarter was head of the finance department and the bureau. That was under Ogilvie, though. By the time we got to Thompson, there was no finance department that dealt with budget matters. Probably the

⁸⁷ According to the U.S. Census Bureau, in March 2012 there were 103,578 full-time and 52,784 part-time state employees in Illinois. This was 2.8 percent of total non-farm payroll in the state.

computers might have been under them yet. They eventually switched to CMS, but they were probably under Finance for a few years.

Czaplicki: We'll talk a little bit more about hiring, I think, down the road, but just to come back to this idea of your relationships and what we started this discussion with. You're combatants in the budget meetings; outside, you're friends. I'm curious how the friendships developed. Was part of it similar social backgrounds? Somebody like Block or Lane. Were they not coming out of that same Chicago orbit that a lot of Thompson's people were coming? Did you feel you just had more in common?

Mandeville: No, I don't think so. To me, it made no difference whether they were from Chicago or Sparta or Carlinville. You either like a person or you don't. You want to be friends with them socially or you don't. You can be friends and still not be socially friends. I would characterize my relationship with Thompson as friendly, and yet, socially, no. He lived in a different circle than I cared to. Or that I was allowed to. (laughs) One or the other. But at times, we were in the same circle. We went to the Reagan fundraiser together. He was there and I was there. And of course I went to his inaugurations and so on. In here, I got several places where he invited Alma and me for a supper or a meeting in the mansion. We spent many times in the mansion because Thompson basically lived in the mansion. Most of the time, he was there. He also had a home in Chicago by Wrigley Field, but he did spend a lot of time in the mansion. In that sense, we were close. I have pictures of our whole family meeting with Jayne and Jim Thompson. But not in a high social way.

Czaplicki: I think a lot gets made of the Springfield/Chicago division. I guess what I'm thinking about is, did most members of Thompson's staff who came here from Chicago adapt well to Springfield?

Mandeville: I think so.

Czaplicki: Did you find some people had difficulty living here or not putting roots down here or anything like that?

Mandeville: Some of them probably stayed in Chicago, but the ones I know seemed to [adapt well]. Part of that has to do with who the governor is. I only require two things to work for a guy: one, that I respect him, and second, that I learn something from him. If that satisfies you, then yeah, they should be satisfied. Springfield is not that bad. We have an opera. We have education facilities. We have great medical facilities. You got that? (laughter) I think they did. I think Fletcher did. In fact, he ended up living down here. Dave Fields, who worked for Dave Gilbert—incidentally, he won the lottery one year: \$6.7 million. He got three-hundred-and-some thousand a year for twenty years. The ones I knew adapted well.

Czaplicki: Initially when you took the job, you said you and Alma came out for your families, but you weren't thinking that you'd stay here that long.

Mandeville: Right.

Czaplicki: But by now, you've been back...

Mandeville: Forty-five years.

Czaplicki: So even during the Thompson years, were you already thinking that Springfield was home? That you'd stay here?

Mandeville: Oh, yeah. Our youngest son was born in May of '69, and we left in August of '69. I had already accepted the job. McCarter and Cotton came up to Washington and interviewed me. We had decided to go back to the Midwest while our four parents were still alive, so our grandkids would get to know them before they were too old to recognize who they were. We said—this is naivety—"In four years, they'll all die." Then we'd go back to Maryland, which we really liked, even though Jacksonville, Illinois, is my hometown. My German mother decided to live twenty years, so that blew it for us. So we stayed as long as she was alive. By that time, it was our home. We believe that every family should have an anchor, a physical location to which the kids can come back to. That became the home that we bought in '69 and still live in. The kids all consider that home, even though they've been gone. Our youngest child is forty-one. Our oldest grandchild is thirty-four. They all consider this home. And we consider it home.

We like this city. It's got everything we want or need. We still go other places. We went to the Auditorium Theater, the one in Roosevelt University, south Michigan [in Chicago], to see *Les Mis*, because it was showing there, and it wasn't showing at Springfield. The Broadway cast later came to [University of Illinois] Springfield—Sangamon University then. But yeah, we adapted quickly. I'm from a small town. Jacksonville is smaller than Springfield. So Springfield was no big shock to me. When we were in Washington, I worked for the Martin Marietta company on the Apollo project, the advanced design group. We lived in a small town called Bowie. When I worked for Goddard Space Flight Center and NASA, we stayed living in Bowie. That's a small town.

Czaplicki: I've been to Bowie.

Mandeville: Have you?

Czaplicki: The Baltimore Orioles have a farm team there. A good friend of mine's cousin played, so I went to see him play in Bowie, Maryland.

Mandeville: I think one of the three main horse racing tracks is in Laurel, which is next door to Bowie.

Czaplicki: As a longtime resident of Springfield, and thinking of it as home, how does the mood change when the legislature is in session? Is the town different when there's politics going on? Or is it just the same year-round?

Mandeville: Most people don't even know what they're doing or care. Our family used to go to something called a Christian family camp down at Pere Marquette State Park. We'd ride our bicycles down about a hundred miles. We'd go eighty miles in the first day and then twenty the second day. We would always stop in Waverly, which was maybe twenty, thirty miles from here, on our way down. There was a little cafe that had hot chocolate and donuts. One time I was in there—it was during a session—and I was asking them about political things. You know, "What do you think of the way the governor is running the state?" No response. "What do you think about the General Assembly doing their job?" No response. "What do you think about the price of corn?" "Let me tell you, the price of corn is too low. It's got to go up, and soybeans the same way." That's all they cared about, corn and soybeans. That was their life. They didn't know who the General Assembly was.

Another example is we used to fly into Meigs on the state planes. I'd catch a cab and go downtown. One time I was there, I said, "What do you think about the election for governor?" It was during the campaign. The taxi driver said, "I'm not going to vote for the tall guy." I said, "Who's the tall guy?" He said, "I don't know, but I'm not going to vote for him. I'm going to vote for the other one." I said, "Why are you going to do that? How do you vote for the other?" "I'm going to punch number five." I said, "What's number five?" "It's the straight Democratic vote." "Why do you do that?" "Because my captain told me to." That's the mentality. They had no idea who Stevenson was or who Thompson was, and didn't care. Their job depended, probably, I'm guessing, on them pushing number five.

Czaplicki: Down in Waverly, though, is there a possibility it's not seen as being polite to talk about politics, or the kind of thing you don't share with a stranger?

Mandeville: No. I don't think so, because we'd stop every year. We did that for ten years.

Czaplicki: So they knew who you were.

Mandeville: Probably. It's a bunch of old guys. My age then.

Czaplicki: Do you remember the name of this cafe?

Mandeville: No, I don't, but I could find it. It's right around the corner from the main square. It's the only one that was open. We would leave about four o'clock in

the morning. This was summertime, so it was light already. We'd get there about six o'clock. The old farmers were in there. I bet they met there every day for coffee and donuts. I had kids with me. As many of our kids who wanted to ride the bike would come with me, so we had hot chocolate and donuts.

But no, they were there talking about farm things, not about governors or general assemblies. It didn't touch them, in other words, directly. It affected them, especially at the federal level and things like the farm bill and the subsidies. I actually owned a farm for forty years. Sold it in '09, when the prices got right. So I'm very familiar with the federal subsidy. If corn is selling at \$2.10 a bushel, and the support level is \$2.19, you get nine cents a bushel from the feds. That kind of thing. That's what they would talk about, because that's the thing that affected them. It affected whether or not they could buy a new combine, or a new car, or fix up their house. The General Assembly didn't affect them. Now, they had opinions, I'm sure; if you raised the income tax, yeah, they would be upset like everybody else.

Czaplicki: So pocketbook issues.

Mandeville: Sure. Absolutely. And I think it is, generally. Springfield is much more of a political town. I was telling some new guys who came into our neighborhood recently, "We've been here like forty years, and we're almost accepted socially." (laughs) It's a good town, but you've got old-timers. You've got the lawyer, where his father was a lawyer, and his father's father was a lawyer. He's like the third or fourth generation. He's a lawyer, and one of his children—they only had three girls, so there can't be a fifth, but she's a lawyer. That's all through the town. Old Doc Graham, who was a colon cancer doctor. He has a son, and they have a son. So there's generations of certain names. The Bunn family, for example. Very prominent. They own what used to be called the Marine Bank. Since then, it's been bought out by somebody else, a larger bank. I go into too much detail.

Czaplicki: No, this is interesting, and this is the kind of stuff you're not going to find in a book. That's why we do these sorts of things. And I am interested in the social realm of Springfield a bit. "Leisure" might not be the right word; it might be serious play that I'm thinking about. But in other conversations I've had—Bill Roberts was one. He mentioned Norb Andy's to me as one of these spots where you'd get some officials meeting with journalists, meeting with lawyers, kind of gathering.⁸⁸ There's still shop being talked, there's still a little bit of business being done, but it's much more informal. I was curious if there were other spots like that where people met to do these sorts of things.

Mandeville: I would say the State House Inn would be one.

⁸⁸ Bill Roberts, interview by Mike Czaplicki, October 6, 2010.

Czaplicki: State House Inn?

Mandeville: Yeah. It's a couple of blocks from the Capitol. Probably Boone's Saloon. That's very close to the Stratton Building, the office building there. I'm guessing. I don't participate in these, so I'm not sure.⁸⁹

Czaplicki: Well, that was going to be my next question, would you go participate in these types of gatherings?

Mandeville: I would go to Norb Andy's because I liked their food. The times we went would normally be in the evening after work, and the folks who do the negotiating did it during the day, for the most part. They were gone at nighttime. Session was over or whatever. Yeah, I would go to Norb Andy's. If somebody wanted to talk to me, I would. I don't think I would conduct any business there. I would do that in my office.

Czaplicki: Was there much of a private gathering scene? Arnie Kanter mentioned—it might have been DeAngelis. It could have been Dick Luft. Somebody used to have these spaghetti suppers (Mandeville laughs) that lots of people would go to and people would gather.⁹⁰

Mandeville: DeAngelis up in the suburbs.

Czaplicki: Would there be many opportunities like that, or did people generally punch the clock and then you went home?

Mandeville: You mean in the bureau?

Czaplicki: Yeah, and the admin in general.

Mandeville: In general, I'm not sure. I know DeAngelis would put on these things. The cigar, tobacco companies would put on a dinner at Bauer's Opera House over by First and Cook. It's no longer a restaurant, but it was then. It was a favorite gathering place, where the beer distributors put on a party that I would be invited to, and most of the General Assembly would, and the governor's top staff at least. It would quite often be held at this place.

Czaplicki: The beer distributors would have it, or the tobacco companies would have it?

Mandeville: Both.

Czaplicki: Both would.

⁸⁹ At the time of this interview, Norb Andy's (518 East Capitol), State House Inn (101 East Adams), and Boone's Saloon (301 West Edwards) were still in operation.

⁹⁰ Sen. Aldo DeAngelis (R-Olympia Fields) and Sen. Richard Luft (D-Pekin). DeAngelis hosted the dinners. Arnold Kanter, interview by Mike Czaplicki, December 29, 2009, 100.

Mandeville: Yeah. (laughs)

Czaplicki: So it was just a spot they would...

Mandeville: I think there was probably discussion then, but it was a dinner. It was a large group, so it wasn't really ideal for carrying on private conversations. One year, I got the cigar smoker of the year award, and a nice casement for my cigars.

Czaplicki: They must have seen you running with yours. (laughter)

Mandeville: For twenty years I smoked cigars, but I stopped about thirty years ago.

Czaplicki: If you think of any others, by all means, please don't hesitate to bring them up. But of course, most famously, Thompson would use the executive mansion to have these gatherings. Fairly frequently, as I understand it. Would you attend those?

Mandeville: Some I would. If he wanted me there, I would be there. Spent many times in his library with him and others. Of course, for the budget negotiations, everyone who appealed, and probably the major agencies anyway, would be with Thompson to understand what was being agreed to and so on. Thompson would not be part of the budget negotiations, but I would always send up a shadow budget, a fairly lengthy memo that laid out the problems that he's going to face in his decision-making time. Like, here are the problems that you have to do something about, and here's the revenue limit. It would be a preliminary look at the major issues facing him, fiscally and programmatically. I would say, "Here is what we're going to give each of the agencies." That would be the marks. He'd look at it and normally would not change anything, because it was preliminary. Then we would go ahead with the budget meetings with those marks, and then I would send him a decision memo.

Czaplicki: So first you would meet with Thompson, and you'd present this shadow budget. Just you?

Mandeville: We wouldn't always meet. I would send him the budget memo. He would read it and send it back saying, "Okay" or "Take another look at this one."

Czaplicki: And then you would be having individual meetings with the agencies—

Mandeville: Then we would send the marks out to the agencies. They had already submitted their budget. So I knew the problems, the overspending requests and so on, in the aggregate, and by individual agencies. We would send out the marks, and then they would have to send another budget request at those

marks. They could tell me what they left out, or they didn't have to, as long as they met those marks and didn't take away anything that we needed. And we both knew what they needed. For example, if we just signed the union contract for a 4 percent pay increase and they didn't have it in the budget, we'd send it back. You've got to fit that within the mark. If you have to lay off people, tell us that.

Then they would say, "We can't agree with this. We want to see the governor." I said, "Okay, here's what we'll do. I'll write a decision memo, and I will honestly and completely reflect your views in this memo. I'll say, 'Here's what the director says. Here's what I say. What do you want to do, Governor?' I'll send it up to the governor. He will send it back to me, and then, after he sends it back and I tell you what he said about the differences that we have, if you want to appeal, you can do that. We'll go together to the governor." That was sort of the process. I don't know if they use that anymore. My view was there had to be a control center, the bureau, on spending, but there also had to be a relief valve for every agency to see the governor if they really felt they had to. After a couple of years, if they got beat up, they wouldn't go back the third year. But if they won, I'd probably have to deal with them again.

Czaplicki: Would Thompson always be the one, or would he sometimes have Fletcher take care of it?

Mandeville: Thompson. Fletcher would be in there in the early years if he wanted to be, and normally he would. So would Quern, later.

Czaplicki: Back to the autobiography. You have a photo in there?

Mandeville: Yeah. This is our kids. This is our kids when the boys all had hair. Now this one doesn't have hardly any hair. He's almost bald. We only had two grandkids then. Now we have twenty-five.

Czaplicki: This is a family photo here. When was this taken?

Mandeville: This would have been in 1988. I have it there, but I can also tell. There's only two grandkids. This one is our oldest one. She's now thirty-four and has two kids, so we have great-grandkids. Ten and two. This is Allison, and she was probably one year old or so. There's a big gap between these two, because Mark was married early, and most of the kids weren't married for ten years or so after that.

You mentioned the get-togethers. Let me make sure I get one or two pictures of that. That was just us discussing in stocking feet and eating carrots.

- Czaplicki: There's a photo here. It says, "Discussing the budget in a relaxed mode." So this is not the confrontation that you spoke about.
- Mandeville: No, these are all bureau—
- Czaplicki: So this is bureau people?
- Mandeville: Yeah. This is me, and this is my deputy.
- Czaplicki: The chart says, "Fiscal year 1983." This is Dick Kolhauser?
- Mandeville: Yeah, and this is Ed Welk. He was the administrative guy in the office.
- Czaplicki: I see you spelled Kolhauser here. K-o-l, okay. It's hard to tell, because the blue books vary and the newspapers vary on how you spell his name.
- Mandeville: I'm pretty sure this is right.
- Czaplicki: That's good to know. Was there another photo in here you were looking for, with Fletcher? Something had prompted your turn to the—
- Mandeville: Yeah, I think we have one. Probably in the early years, this is...
- Czaplicki: You were talking about the safety valve.
- Mandeville: Yeah. See if he was on there. This is me running my first marathon in 1980. Here's one where the only guy here that is not a bureau person is Jim Williams, who was media. And this person was on the program staff. But here's one where we were talking about budget matters, but apparently it was education, so I think he may have only called the education people. This is me, and that guy looks like Larry Toenjes. Larry had a doctorate, and Dick had a master's. Dick was an ABD. Do you know what that is? He didn't do his dissertation. (laughs)
- Czaplicki: All but your diss. I lived with that status for many years.
- Mandeville: It's bad, I think, when a person goes all the way and doesn't do it. The rest of these guys are analysts in the bureau.
- Czaplicki: That might have been education. At the Kerner conference, I met someone who was involved with education at the budget bureau, and she looks a bit like her.
- Mandeville: Yeah, she was education. She probably would have been on the governor's staff, not the bureau. Oh, here's the one I was going to mention. Every year, the governor would hold a Christmas party for the bureau and some of the top

staff. This is Fletcher. This is Kolhauser and his wife. This is Alma, my wife. You see part of me. This is Ed Welk, who I say reminds me of a werewolf. (Czaplicki laughs)

Czaplicki: Would you be seated by agency?

Mandeville: No. You sit wherever you want, normally. If it was a formal meeting, like with a dignitary coming to visit—for example, the elder George Bush came after he won the Iowa primary, and he was billed as probably the next president. Well, Reagan just killed him in New Hampshire, and that was the end of... I tell people that I've shaken hands with two presidents, but they weren't president at the time. (laughs) One is George Bush, Senior, and the other is Bill Clinton at Hilton Head, where I got some kind of an award and he was head of the Governor's Association, the group that presented it. In here, I say I also met the governor of Alaska, and it wasn't Sarah Palin. It was some other guy. And of Montana, where my brother lived. But just an aside on Bill Clinton. No matter what you thought of his moral standing or his government policies, if you met him, you would like him, because he talks to you and you're the only one. And you feel, He's talking to me; he's not looking around. Not everybody can do that, but Clinton could. He was very good at that.



Czaplicki: Was Thompson similar?

Mandeville: Yeah. Not as much as Clinton, but he was as good or better a campaigner than Clinton. And Clinton was a very good campaigner in my mind. This is just a—we got a Christmas card every year. Samantha—if this was '79, that was probably right after his second election.

Czaplicki: Samantha was born in August of '78, I think. It was during the '78 campaign.⁹¹

Mandeville: Yeah, that would be right, given her age here. He got the dog, Guv, in '76, and then Samantha in '78. (laughs) He knew how to play all the aspects. Staying in the public eye. This is me briefing Thompson before going to the press. Then this is in the press room, where he let me do the presentation, but he was there. I was smoking a cigar.

⁹¹ Samantha Thompson was born August 3, 1978. For her account of life in the executive mansion and growing up during her dad's administration, see Sam Thompson, interview by Mike Czaplicki, April 4, 2014.

Czaplicki: It says 1980 is when this was taken.

Mandeville: Right. You would never do that today. It's just a different world today. But then, it was accepted.

Czaplicki: Here, you're in the governor's office in the Capitol. The earlier photo, it looked like you were in the mansion.

Mandeville: We were.

Czaplicki: When you would have these meetings, when an agency head might want to appeal, would he have those at the mansion, or would he have those in the Capitol, or both?

Mandeville: It depends on where the governor was. If he was in the office, we'd probably go there. If he was in Chicago, we'd fly to Chicago and meet at his home. We've done that, the one before he moved to the high-rise where he is now.

Czaplicki: Fullerton?

Mandeville: Fullerton. It's very close to Wrigley.⁹² We would meet there if he was in Chicago, or we would meet in the State of Illinois Building later on when it was built, if he was in the office there. Depends on where he was. If he was in the mansion, a couple of times—I'm sure it was under Thompson—we met on the second floor, in the bedroom. He wasn't feeling well, so we would meet there. Not very often. Normally, we would meet in his office or in the mansion, because the time of the budget decisions was not a time, generally, when the General Assembly was in session. In those times, it might well be Chicago. We might fly up there two or three days in a row, or stay over if we had several agencies to go over.

I wanted to keep the governor fully aware of what was going on, either individually talking to him or sending him a decision memo. The first is a shadow budget, here's what things generally look like. Then the next step is the decision memo, where we would ask him to be Solomon on the differences between us and the agencies. And he would always respond. Once in a while would be, "I need more information," but generally he would make the decision.

Czaplicki: And then the appeals would come later, after those first two steps?

Mandeville: If the agency disagreed with his decision, which put them in a strange position. (laughs)

⁹² The Thompsons lived at 554 West Fullerton Parkway until 1983, when they moved to the 800 block of West Hutchinson Street.

Czaplicki: Then you would go in and have this little hearing.

Mandeville: “Governor, here’s what you said last week. What do you think today?” No, we wouldn’t do that. If the governor said, “We can’t afford a COLA for welfare recipients this year,” Art Quern would probably not appeal that. In a year where it was maybe/maybe not, Art Quern took it to the governor with Mike Lane, the one we talked about, because he felt very strong on that.

Czaplicki: I’m thinking, though, in terms of agencies wanting to appeal, say, your marks. Would those happen between the shadow budget and the decision memo?

Mandeville: Mm-hmm.

Czaplicki: So that would be in between those two?

Mandeville: Right.

Czaplicki: How fast would they get a response? “We don’t like what Bureau of Budget said to us, we want to appeal this.” Would you be meeting that very day, or would it take two or three days?

Mandeville: Within a week, I would say. Very quickly, because we had a deadline to get the material to the printer, and then meet the submission date to the General Assembly. It might have been March fifteenth, and later moved to April fifteenth. We had to get the budget books to them. I’m not positive on those dates, but it was in that timeframe. We had a constraint to get it done very quickly.

Czaplicki: When would you try to have the shadow budget done by? November, December?

Mandeville: No, October. We knew enough in October. Late October, they would have submitted their request. Now, the initial request, no constraints. Tell us what you need. And they would tell us. It always came in too high. Then we would say, “Okay, but here’s all the money we have.” So we created a set of marks, and the agency only saw their marks. They didn’t see the other agencies’ marks. Then they had to resubmit it at that level. Then we held the meetings with the agency, and we agreed or disagreed. If we disagreed, I promised them I would send up a decision memo to Thompson, fully presenting their view—and they could even write it if they wanted to—and our view. Then Thompson would send it back to me with his decisions. I would give it back to the agency, and if they wanted to appeal, they could. They might have had an argument strong enough and felt that the governor didn’t fully understand their position, and so they might want to go up, and they might win. But if they won, somebody else had to lose, because I was adamant about staying

within the spending limit. The spending limit may be less or more than the revenue, depending on a budget after a deficit year. But that's okay. There was a spending limit, and Thompson understood that and agreed with the process.

Czaplicki: Did you see this decision process having an effect on how agencies interacted with you? For instance, you said that after the third year, they might not even bother to try anymore. Would they start coming to you to ask about how to tweak their proposals to try to win their cases? Especially as they realized there is a zero-sum game, and if someone else wins, they might lose.

Mandeville: Maybe an example of that is the legislative process where they presented their budget to the General Assembly. If they went over the mark that was in the budget document, which was the final agreed amount, whether it was Mike Madigan or Howie Carroll, whoever it happened to be, they would say, "Where's your Dr. Bob letter?" They had to have a letter from me saying that it was okay to go over, or it would be denied. After you get shot down a couple of times like that without the Dr. Bob letter, they won't do it. They understood why we were doing it. We weren't doing it arbitrarily.

We were doing it following any guidelines that the governor had given us on which programs to emphasize. If he had a new program that had to be fit in, that would be fit in. Paula would be generating program after program, and many simply were not affordable. At times, the program people might make a mistake in projecting a cost of that. For example, one program suggested by the governor's chief of staff was to guarantee education 250 more per year for four years. What would that cost you?

Czaplicki: Education, \$250 million more?

Mandeville: Each year for four years.

Czaplicki: So a billion dollars. But more?

Mandeville: More like two and a half. Because you're always building on the base. They never understood that. Here's the way it would look. Year one, you would have \$250 million more. Year two—

Czaplicki: That would be your base, and you would do an increment on that?

Mandeville: Right. (draws a chart) So here's the four years. That base doesn't disappear. The next year, you'd have another \$250 million. The next year, another \$250 million. And the next year, another \$250 million. The program people did not see this kind of a chart, so they told the governor it would cost one billion. But it really cost \$2.5 billion. They presented this to the governor, and the governor said, "Have you shown this to Dr. Bob?" They said no. "Well, get

him up here.” He would call me and say, “Dr. Bob, I need you up here now.” I’d go up there, and I would say, “Governor, the numbers are wrong. You’ll be really in trouble if you go with this.”

So he called me up, and the one presenting—I won’t give any names now on this one—said it cost \$1 billion for the four years, \$250 million each. I said, “Governor, it will cost you \$2.5 billion.” The guy who presented said, “What? No, that’s not right. We’ve got four times 250.” I said, “In the second year, are you going to take away the first 250?” “Well, why didn’t you tell me before?” “Because you didn’t show me your program. I didn’t know it was there until I heard about it.” The governor later said in a press conference—it was really a compliment— “I listened to my staff, I listened to the General Assembly. I should have listened to Dr. Bob.” They had to abandon this because it wasn’t affordable.

Czaplicki: And they wouldn’t do it for less? Say a \$100 million.

Mandeville: Well, they could have, but they couldn’t give them 250. A hundred is not enough when you’ve got a \$3 billion budget in education. That’s roughly what it was at that time.

Czaplicki: But just by your calculation, that would bring you up to your billion dollars, if that’s what they wanted to put in.

Mandeville: Yeah, but they probably already had a hundred on the table. Maybe 150 on the table. The governor’s office staff wanted to make it 250.

Czaplicki: But are there ways that you could structure an understanding where it says it’s going to be 250 discrete for these four straight years? And we’re not going to build, every year after, on top of it.

Mandeville: No. You have to take away 250 in the second year from somewhere else. Let’s say you wanted the 250 to go to education, the state aid formula. If you want it to go to that, you could do that. Each year, give 250 more. But you would have to take away 250 from some other program—

Czaplicki: Oh, I understand that, but if you’re willing to do that for this year, and the real problem is this amount that people aren’t considering—

Mandeville: What do you take away?

Czaplicki: Could you write an agreement where this doesn’t happen? We’re not going to build on top of the base. We’re just going to stay at the base level.

Mandeville: Not if you didn’t define what you’re going to cut. Are you going to cut special ed or transportation or food? You have to cut something in order to give the

250 per year to general state aid. I think that was their intent. Because every local district gets state aid. I only bring this up to say that you have to be careful. While it's critical to do multi-year financial planning, you have to be very careful that you're doing it correctly. This is a simple concept where most people would say it would cost \$1 billion, because you'd say you're giving them \$250 billion more each year. But what you're not saying is that you're unwilling to take \$250 billion away from something else in the second year. If you don't say that, you can't do it. This is why you need—

Czaplicki: That's what I was suggesting, why doesn't that happen?

Mandeville: Because these programs are guarded the same as general state aid. General state aid has a much wider interest group, because everybody gets it. But the special ed is one that people believe in. There's a certain group of students who need special attention. They've got some kind of an illness or handicap that requires special ed and a smaller class size. If you want to give it there, you can't give it here. It's the same argument of any budget. If you have a fixed amount and you want to add something to one component, you've got to take it somewhere else, or you won't stay within the fixed amount. The same thing applies here. You could do it, but you wouldn't do it, because the amounts are *way* too high. To take \$250 million from special ed would decimate it. Many, many young kids would not get special education. One of my daughters was a special ed teacher for five years in Canton, and she's now a lawyer for education. But she was special ed for a while.

It's this type of understanding of the financial calculations that are critical to advise the governor. When I invited the General Assembly to come to fiscal briefings, I would use the same kind of thing to say, "Be careful when someone tells you that it will only cost this amount, and it's a multi-year issue." If it's a one-time issue, like building a building, and it costs \$80 million, it will be more than that, but you know it's in that ballpark, whether it takes one year or ten years to do. But if it's an ongoing program, entirely different, and you have to know the difference.

Czaplicki: So agencies might come talk to you before they had to go appear before the legislature? Get the Dr. Bob letter?

Mandeville: If they wanted the Dr. Bob letter, but I wouldn't give it to them unless they told me where they were going to cut.

Czaplicki: But that wasn't really happening within the administration level. So in future years, they weren't coming to you and saying, "Hey, I want to make sure I survive this process. How can I..."

Mandeville: I would say that after the recession years of '81, '82, that area, they were not coming so much, because they knew that we understood each other. If you

had a new—who was this guy that took over one of the agencies? Al Ap. He would probably do it, just because he wanted to see the governor. They might do it for reasons like that. They probably wouldn't, because we had a pretty good understanding of how much we could do. For example, in Mental Health, whether or not you were going to close the facility and make it a prison, as we did a couple of times, or whether you were going to close them and put them in—I'll call them halfway houses, in the community, with a "house" mother in charge. They knew if that was the direction the governor wanted to go, that's where the emphasis had to be. If it meant closing a facility, maybe it meant that, and we did close a lot of mental health facilities. Some say too many.

Under Ogilvie, I did very little political work, but I wasn't adverse to it if it made sense and I believed in what I was doing. He sent me up to Uptown in Chicago, where apparently a lot of the mental health clients reside. It was during the election when he was running against Walker. I gave a speech to the community folks up there. Afterwards, a lady came up to me and said, "Will you please tell the governor to keep my husband in the institution?" Have we talked about this?

Czaplicki: Yeah, you mentioned this, I think, in our second interview.

Mandeville: I said, "Why?" She said, "He comes out, he takes his medicine for a while, and then he doesn't. He goes off again, and they have to put him back in the institution. So he's episodal. He'll go in two or three times a year. Why not just keep him there?" I said, "Okay, I'll tell the governor." But that was the trend at that time, to move people out of institutions, mainstreaming them when maybe they weren't ready for mainstreaming. Maybe they belonged in an institution.

Czaplicki: Would you or your analysts get many invitations, in the way that Zagel brought you over to the Armory and said, "Look at what this program means"?

Mandeville: No, that was during a budget deliberation. That was programmed by us. He brought the truck and the cardboard cutout of the dead—

Czaplicki: But would you get many invitations to come out and see what a program looks like?

Mandeville: Oh, yeah.

Czaplicki: To get away from the numbers and know what it is we're doing out here?

Mandeville: Absolutely. I visited every prison in the state for Corrections, for example.

Czaplicki: What was your reason behind doing that?

Mandeville: Just to see for myself what their conditions were. I saw the cell block. I walked through the first set of doors where Richard Speck had his paintings up there, all in black and white. Richard Speck was in a cell by himself. Most of them were multi-men, in the big roundhouse cell. The guard said, "Nobody will be with him. He's a mad man. He doesn't care if he gets killed. He will kill somebody else if he has a chance." He was crazy, I think is what they were saying. I wanted to see the difference between a maximum security, like Stateville, Pontiac, and Menard. I also wanted to see the Menard criminally insane. Not incarcerated exactly in a prison, because they were legally insane, but committed a crime that warranted them to be in a maximum prison. Instead, they were sent down to Menard, and they had a part that was for the criminally insane. I wanted to see that. I wanted to see the women's prison at Lincoln, where they tried a couple experiments putting men and women together.⁹³ That didn't work. Babies showed up. You just can't do that in a prison, where both of them are absent from the other sex for a long time.

I went to most mental health facilities in the state. In Dixon, they said, "This is where we put the most severely handicapped people." I met two people that stick in my mind. One was a woman about that tall, as ugly as can be, and she was there because of some kind of a disability. I'm not even sure what it was. But the other guy really fascinated me. He was in a wheelchair that leaned back, all the way back, and the only thing he could move were his eyes. He was completely paralyzed. I said, "Does he know what's going on?" We were in a day room. She said, "Is the TV going on?" I said yeah. She said, "Change the station." So I did. His eyes went wild. She said, "He's telling me to put that back on my station." He wanted one station. That was his only way of communicating, but he could communicate. He was up at Dixon. Dixon later, I think, was closed.⁹⁴ I went to Manteno. I went to virtually every one.

When the new prisons came on, the K-systems, like at Kankakee, I went to them to see what the difference was. My wife and I put on retreats for the inmates in Jacksonville, so I've been to that prison, which is a minimum. The problem is, it's not a minimum. It had been a minimum, but they've eliminated all the misdemeanants from the system, so now you have only felons. It's not a minimum anymore; people who have killed people are there. Most of them are there because of drug-related crimes. And they have double the population it was built for.

⁹³ Logan Correctional Center.

⁹⁴ Thompson's decision to close the Dixon facility in 1982 was controversial and resulted in a legal battle. "Dixon Center Controversy: Thompson Ignores Order to Testify," *Chicago Tribune*, August 21, 1982. He followed up Dixon's closing with plans to close mental health hospitals in Manteno and Galesburg by 1985.

Czaplicki: What was your rationale for visiting? I'm just thinking where it fits, because on one hand, you said you don't want to push any programs. So I would think that you would want to—

Mandeville: I would push any program the governor wanted.

Czaplicki: I thought you wanted to stay in the numbers.

Mandeville: No, I said I wouldn't be an advocate. I couldn't be an advocate for a program, but I may push one and not be an advocate, because the governor told me to do it.

Czaplicki: And you serve the governor.

Mandeville: Absolutely. I was staff to him. I couldn't afford to be a proponent of any program, or I wouldn't be doing my job. I would subconsciously give that program I liked a little more money, probably. Human nature. I refused to be a proponent.

Czaplicki: Going out and seeing these facilities and seeing how something operated, what would that do for you in your thinking about the process and the budget?

Mandeville: It would tell me whether or not the director was correct, in my view, in how he was describing the problem. If the Jacksonville prison had been twice the population that it was built for, which it is now, and no other facility had that problem, then I would say, "Wait a minute. He's right about Jacksonville. We have to do something." We'd give them more staff, increase the food— incidentally, never eat food in a prison. We do that on the retreat, but it's not a good idea. Increase the food budget, because they're double the population.

One program was recently introduced. The agency decided that they were going to have one prison in Illinois that was completely gang-free. No member of a gang could be in that prison, and that was Taylorville. So there's no gang members among the population of Taylorville, which is a small town southeast of here.

I would want to see for myself the conditions. When I went to Manteno, they talked about the arrangement of the houses and the fact it was spread out like a college campus. The old buildings were one great, big building. I grew up in a town where there was a huge facility for the mentally ill. We didn't have the distinctions, back in the thirties and early forties, of DD versus MI— developmentally disabled versus mentally ill. So everybody in there, as far as we were concerned, was insane. My grandmother lived just a couple of blocks from the insane asylum. So I'd walk over there, and they had an iron fence all the way around that you could see through.

Czaplicki: With bars?

Mandeville: Bars, yeah. I would go there and stand there, and guys would come up, and I would kind of back away because I was still young then. But these guys roamed around the land all the time. Now, in credit to the halfway house, tremendous advancement has been made in treating DD. They now separate the two. They're not in the same facility. I wanted to see some of this for myself. For example, I went to a halfway house where they had these pods, like five pods. A certain number of people lived in each pod, and then they had a day room center. That's sort of the structure of the K-prisons also, except they're like dormitories. They're supposed to put twelve [inmates in], but they're putting twenty-five in. I wanted to see just how that functioned, and the mobility of the folks in there, because many of them were physically DD, as opposed to maybe emotionally. I wanted to see if they were able to get to the day room, that kind of thing, to get a better understanding for the program. As I said before, my objective was to know the program better, and the budget better, than the agency director. If I did, I had an advantage in the negotiations.

Czaplicki: Would you encourage your budget staffers, and all the way down to the analyst level, to do this with programs that they were evaluating?

Mandeville: Absolutely. They spent a lot of time, much more than I did, in the agency and visiting facilities. The School for the Deaf in Jacksonville had a basketball team. I heard that they were at a game away from Jacksonville, the bus broke down, and they were stranded for some period of time. I said, "Governor, I want to get them a bus." It wasn't in the budget. He said, "Okay, go over and do it." So I went over there and I talked to the director. She is now part of our staff at the retreats, by the way. I said, "I'm going to give you a new bus." She said, "What?" I said, "Yeah, DCFS"—it was under Children and Family Services—"I'm going to tell them to buy you a new bus. Get rid of the old one." They'd never heard anything like that. Nobody buys them a new bus. They've got to buy it out of the budget. That was just the kind of thing that you can do, and then you become real to them. Otherwise, you're somebody over here in Springfield who doesn't care about them at all.

Czaplicki: A bean counter.

Mandeville: Yeah. One time I did another one, and Senator Bruce did it even more than me. I went up to—I would call it Second City. Does that mean anything to you? West Madison? Way out there, past the Cook County Hospital and the University of Illinois, in that area.

Czaplicki: Is that what they called it then? So in Chicago, on the West Side?

Mandeville: Yeah, west, far out, around Cook County Hospital. Is it Cook County?

Czaplicki: Is it the Illinois Medical Center now, or farther west than that?

Mandeville: University of Illinois in Chicago was out there. They were both on whatever that drag is.

Czaplicki: Yeah, now they'll call it Tri-Taylor.⁹⁵

Mandeville: I went out there and I walked into a general assistance income maintenance office. I said, "I'm temporarily homeless. Is there anything you can do for me?" They said, "Well, let me check. What's your name?" So I gave them my name.

Czaplicki: Bob Mandeville?

Mandeville: I may have used a fictitious name. Now I'm trying to think. They went to the employment security file that was updated only quarterly, and I gave a name that I knew would not appear, because it was new and would not be there until the end of the quarter. I went to them and I said, "Can you do anything?" "Where do you live?" I said, "I'm in the shelter down here." I knew the address of a shelter. "But I don't have a permanent address, so I can't give you that." So they couldn't look that up. They said, "I'll tell you what. We'll give you a chit for food. You take this to the store, and they'll give you the amount of food that this will give you." They gave it to me.

I began to think, Do we need more control over who can receive these? I know that people say they saw somebody drive up in a Cadillac, and they got liquor with their food stamps or with their income maintenance check. I'd say, I don't care. If it helps 95 percent of the people and 5 percent cheat, let them cheat. We're helping the 95 percent. You're never going to stop all of this. I wanted to see if that was right.⁹⁶

Senator Bruce let his beard grow for a week or two, then he went way up there. He was in old, shaggy clothes, and he sat on the curb—as he called it, sitting in the gutter—until people came by and talked to him. He said, "What's going on up here?" They said, "You're new here, but we're all homeless here. If you're hungry, we can give you something to eat." He was there for two or three days. They never knew he was a senator. That was just the way he did it. Maybe he, from a General Assembly viewpoint, wanted to see what the situation was. Unfortunately, he and his DD daughter died in a fire not long after that, in Peoria. They now call one of the two big Public Aid buildings the Prescott Bloom Building, there on Second and South Grand. But

⁹⁵ Since Madison Street is north of Tri-Taylor and the Medical District, Mandeville may be referring to the Fifth City section of East Garfield Park.

⁹⁶ [Placeholder for Miller interview and if JRT and Mark discuss welfare reform.(??)] Illinois was an important site in the debate over welfare fraud that emerged in the 1970s.

you can do those kind of things, and you should.⁹⁷

Oh, one other time, and then I'll stop the stories on this. When I was in the comptroller's office, I wanted to take this check to a facility that took care of children way out on West Monroe. That also was Second City. I took a cab out. I said, "Now, I'm going to just go in here and give this check, and then I'll come back. So you wait here for me, and I'll be right back." He said, "Buddy, I'm not waiting here," and he drove away. So I walked in and I met the director, who was like a missionary-type guy. He was white, and most of the clients there were black. And a black woman who was part of the administration, but actually worked in another building. I gave them the check from the comptroller's office, a very large one, like ten, fifteen thousand at that time. It was fairly large.

The woman invited us back to her office to see where she worked and what conditions she had to put up with. Walking back, we walked by bombed-out buildings. It looked like a war zone, almost, wherever this was. We got about halfway there, and four guys stopped us, four blacks on the street. There were three of us, a woman and me and this other guy. We were both white. They talked to the black woman. They said, "Are you going voluntarily with these two guys?" She said, "Yes, I am." She said, "This is so-and-so and this is so-and-so." They talked to the director, who was a short guy, probably forty years old, and they said, "You work at the facility here, the childcare place?" "Yeah, I do." "What's your salary?" "Seventy-five dollars a month." They looked at him and said, "You're lying." "No, seventy-five." The black lady said, "Seventy-five dollars a month. He's a missionary. He's funded somewhat by an organization. That's all he gets, seventy-five a month." Then one of them took me aside and away from those two, and said, "What do you make?" I said, "I make about thirty-seven thousand a year." "That's good income." This was under the comptroller, so it was in the early seventies. "Where do you live?" "Springfield." "What's the address?" I gave it to him. "Can I come see you?" "Absolutely. Any time you want." Then he walked away.

So he let us all walk on, but if we'd given the wrong answer, they might have beat us up or done something. But I wanted to get that check to see myself what the facility was, and I felt the same way when I was working for Thompson. I couldn't do all of them, but the agency analysts in the bureau could. They could visit, and they did; they were very much involved in the day-to-day activity of the agency. So again, they knew the agency. If the

⁹⁷ Disguised as Donald Crenshaw, Bloom worked with four other Public Aid investigators. His efforts drew national attention. See "Lawmaker Posed as Derelict in an Illinois Inquiry," *New York Times*, October 6, 1985; Civia Tamarkin, "That's No Bum, That's Illinois Lawmaker Prescott Bloom, on the Prowl for Medicaid Fraud," *People*, November 25, 1985. These efforts followed a long-tradition of undercover exposés by American reformers.

agency didn't have a sharp analyst to come in to contradict what our analyst was saying or what I was saying, they would lose.

Czaplicki: How did the agencies feel about that presence?

Mandeville: They welcomed them. Most agency directors wanted the analyst to understand what they were up against, so he or she would be more sympathetic. By the way, I didn't care whether the analyst we hired was a boy or a girl. Just so they had a master's. I wanted them to have a master's. You could find a sharp one that didn't, but...

Czaplicki: Did you worry about that, that agency capture? That maybe your analysts would start to become sympathetic to...

Mandeville: No, I wanted them to capture the agency [so it would] hire him or her.

Czaplicki: I meant the other way. So your analyst goes, and they're working in this agency. The agency head is hoping that they'll see what they're up against and feel sympathetic. Would you worry that they would feel sympathetic?

Mandeville: No, I knew they would. It didn't bother me. When it came to the budget decisions, we had a limit and they had to fit it within the limit. If the agency director, or their agency analyst, wanted to push a certain program and take out something else, I didn't care, as long as they didn't violate any golden watch-type things. They had to leave in the programs that we said had to be in there. Normally, we would tell them what had to be in there.

Czaplicki: What would constitute a golden watch? Statutory things?

Mandeville: Statutory things, yeah. Contracts. I mentioned the unions. If we had negotiated a contract for a 4 percent increase for union employees, that would have to be in there. The group who weren't union—I forget their name—also warranted a raise now and then. As a policy, we would say they should get a 3 percent if the unions get 4 percent. If they didn't put that in, we'd say, "No, it's got to be in there." Others were programs that they knew the governor wanted and they couldn't take out. Like prairie chicken—no, that was not...

Czaplicki: Right, but governor's priorities. Those would have to stay.

Mandeville: Right, they would have to stay in. The agencies knew that. Once in a while, they would try an end run in the General Assembly. But after a couple of years, it never worked. I wouldn't give them the letter.

Czaplicki: So you got a school bus. So you could advocate for a program.

Mandeville: I could, yeah, in that case. I did it partly to visit the School for the Deaf in Jacksonville. I also went to the School for the Blind. The history of why they're in Jacksonville is interesting, too, but that's another story. But yeah, I wanted to see how many people there were, whether or not it's something we should support, or whether DCFS was telling us the need correctly. They had never mentioned a bus, because they wouldn't be interested in a bus. They'd say stop the basketball program, probably, or they might say that. My view is the basketball program ought to stay. It gave the boys something to do outside of school. Okay, so I was a program advocate in one small way.

Czaplicki: Ah ha! I thought so. (laughter)

Mandeville: It probably cost ten thousand dollars.

Czaplicki: I guess the reason why I wondered about the agency approach is it could get murky. You bring up the basketball program. If their experts say, "We don't need a basketball program"—

Mandeville: I would agree.

Czaplicki: —but you, Bob Mandeville, think, No, it gives the boys something to do, and you should have this.

Mandeville: No, I'd say eliminate it. By the way, I was principal of Ursuline Academy, which is a Catholic high school here in Springfield, while they were getting rid of the other one, and while Benedictine College was taking over Ursuline Academy. One of the first things I did was eliminate the football program. I got a call from a lady who was on the city council. She said, "My son went to Ursuline just to be on the football team, because he couldn't make it at Griffin," which is the other Catholic high school. "Why did you eliminate the football team?" I used her name, because I knew her, and said, "When we canvassed the class"—this was a small high school, 150 people—"we found that there were four seniors leaving who were on the football team. Only two juniors expressed any desire. Four sophomores. And there were two or three freshmen who might be in the program. It takes eleven men to field a football team, and we didn't have eleven men. What should I do?" She got mad and hung up. But that's why it was canceled. So there are times when you could. Now, obviously, in the School for the Deaf, there are plenty of kids to do the basketball team.

Czaplicki: I want to circle back to a few things we were talking about before some of this. One of them is the budget process. You were mentioning the series of steps you would take. Just from the standpoint of a calendar year, working at the budget, your workflow. Once the budget is in, in March, moving forward from there, what would the markers be?

Mandeville: We submit the budget, let's say, in April. We then follow the General Assembly process very closely until—it's always after June thirtieth—July tenth or whenever they decide to go home. We follow that to make sure there are no end runs. When they give the budget back to the governor, we then analyze every agency's budget and recommend to the governor vetoes if necessary, and he acts on that with his item veto. He also has a reduction veto; he can reduce an appropriation. Then he would send it back. That would be until the end of July when we were finished with that.

Then we began watching the lapse period spending and the implementation of new programs. After the appropriations were assigned by the governor, that's not the end of the process. Because if he reduced it, they could override him if it was important enough to the General Assembly. We would then send out allotments: Here's how much you can spend of your appropriation; it's not 100 percent, because we have to save 2 percent. We would send that out. That would take some time. We might get a few cries from the agencies that we can't live in that level. You've got to live in that level. That would be maybe September.

By September, we would have sent out the request, and all the forms necessary, to submit their budget. They would have to come in by early October. By late October, we would have the shadow budget to the governor, and we would get it back from the governor pretty quickly, almost always. Sometimes we had to call him twice, but we'd get it back pretty quick. Then we would start our budget meetings with the agencies, and on through the decision memos to the governor. Then the preparation of the budget book itself, which took a couple of weeks, and the printing took another couple of weeks. We would get the books, and we would prepare the governor and ourselves for presenting this to the General Assembly and to the media.

To me, the media was very important. Get them to understand the budget. Whether or not they agreed with it, they had to understand it. And they did. We spent a lot of time with the media. They would say things like, "What happened to that program?" "Well, it couldn't be afforded this year." One time, I had a chart that said, "There will be pain," and I listed the ten items of pain. It's in here, the chart. I put that up in the briefing, so right away, they knew what the briefing was going to be about. (laughs) It wasn't about all these increases. That was the year that they denied the tax increase that we recommended. Then we were back into the General Assembly deliberations and so on.

Czaplicki: So it never ends.

Mandeville: Never ends, no. At any one time, you're handling three years. Handling the lapse period for at least six months, or three months for sure, and maybe more. You're handling the lapse period from the prior year, you're handling the

implementation of the new appropriations, and you're starting work on the next year.

Czaplicki: So this is why you said that you can never look backwards. It's always—

Mandeville: Right, it's always forward, yeah. Never-ending is a good way to say it.

Czaplicki: It seems that there is a strong political side to what you do.

Mandeville: Oh, sure.

Czaplicki: It's nonpartisan, it's financial professionals, and yet you have these meetings with the press. When you make a chart, you don't put a dry headline on it. You put, "There will be pain."

Mandeville: That was only one year. Normally, I just, straight-faced, presented the budget. But that year, it was extraordinary, because we had to cut a lot more than we wanted to, to live within the marks.

Czaplicki: Thinking about this political side and the message you send, maybe you could shed some light. Thompson does a very interesting thing. You're finishing up the transition. He's a week away from being officially inaugurated, so he's still the governor-elect. But he makes this announcement that he's going to put a \$300 million cap on new spending. He's going to cap the increase at \$300 million, and he makes this very public announcement before he's taken office, which the papers really picked up on. They said this was an unprecedented thing to do. Governors usually wait until they're in office to do this. What was the thinking behind that? I assume you were involved in this decision?

Mandeville: He was the governor-elect, and Walker had given him complete access to the budget. He said, "It's your budget, Governor." I think he [Thompson] made that decision in January; he had sufficient data after the decision memo, and then any appeals that might have occurred. Very few once the decision memo came down. I think it was completely proper.

Czaplicki: But was it part of the politics? Because you've mentioned that the very first budget needs to be an austere budget, and this is the mission, the mind frame that you're entering this term with. Was this part of that? You really wanted to draw this bright line?

Mandeville: I don't know. Probably. I didn't write a press release, but I did tell him what the constraint was. Yeah, I'm sure it was part of it.

Czaplicki: Would you have discussions with him about when you would time news, or would you just give him the parameters and then he and his political staff would figure this—

Mandeville: Not the timing, no. If timing was important, I would, but to me, timing would not be important to something like that. The sooner you get it out, the better. I would say as soon as he understood enough about the budget and spent enough time, he should make the announcement. If I were governor and they asked me a question like that, I would say, “Look, Governor Walker graciously gave us the whole budget and said, ‘Governor, this is your budget now.’” And he was governor-elect. He was going to be governor. He shouldn’t do that during—well, he might even do it during the campaign if that’s what he felt, if he knew enough to say it. You probably wouldn’t know enough during the campaign to say that, until you actually saw the figures.

Czaplicki: I think it was six days before inauguration.

Mandeville: That’s fine. I’ve got no problem with that.

Czaplicki: Did this budget process stay the same your whole time there? Were there any changes as time went on in terms of how you did things or the timing in which you did things?

Mandeville: Not the timing, but in other ways. I did mention this before, that the governor really focused on the ten largest agencies and let us handle the rest, with the appeal process there in case an agency wanted it. That was important, because he could concentrate on where the dollars were and where the programs were for both, decide what he wanted to do in that area, and let us minions do the rest.

Czaplicki: To go back just briefly to these events that Thompson would have at his mansion, Joan Walters has mentioned that the parties often featured plays or skits that the staff members would put on, which I guess they took pretty seriously. They would write scripts, they’d wear costumes, they’d rehearse. Do you remember any of these?

Mandeville: Oh, yeah. Every one.

Czaplicki: So there was always some...

Mandeville: Yeah, always.

Czaplicki: A little play or a mock...

Mandeville: I got songs. One about walking down the sunny side of the street. It was about the bureau. And it says, “When he’s got you, you’ve been had,” or something like that. Jim Fletcher was very good at this, by the way.

Czaplicki: Oh, he would perform?

Mandeville: Yeah. I think Joan Walters was there as part of the staff.

Czaplicki: She was part of the program staff.

Mandeville: During Thompson?

Czaplicki: Yes.

Mandeville: She was very integral in doing these.

Czaplicki: She apparently has the scripts somewhere. I haven't seen them.

Mandeville: I've got two or three scripts.

Czaplicki: You kept some of the scripts? I would love to see those.

Mandeville: Okay, I'll show them to you. She was talking about the Thompson years.

Czaplicki: The Thompson years at these events.

Mandeville: My guess is Edgar didn't do that.

Czaplicki: No.

Mandeville: He was much more...

Czaplicki: In fact, she mentioned one that was based on *The Wizard of Oz*. I guess she cast certain members of the administration as characters. Do you recall that one?

Mandeville: Yup.

Czaplicki: Do you recall Edgar's reaction?

Mandeville: Wait. Say that—

Czaplicki: This was under Thompson. But apparently, in the sketch, they made a little fun of Edgar. They said the Tin Man was supposed to be Edgar.⁹⁸

Mandeville: Edgar would not have been there.

⁹⁸ According to Jim Fletcher, the Cowardly Lion represented "Jim Edgrrrr." Jim Fletcher, interview by Mike Czaplicki, October yyy(??). See Joan Walters, interview by Mark DePue.

Czaplicki: In the audience, watching.

Mandeville: He was?

Czaplicki: Mm-hmm. He was secretary of state, and I guess he was just attending, sitting in the back row, watching the sketch.

Mandeville: He was a protégé of Thompson, so I think—

Czaplicki: But she remembers him leaving. She remembers him getting up and walking out. (laughs)

Mandeville: Oh, I don't know. They say Democrats don't have a sense of humor, but Republicans do. At least Huckabee says that. Of course, he's a Republican.⁹⁹ I don't recall that case, but I do recall the skit. The skits were very good, by the way.

Czaplicki: You must have taken your fair share of ribbing.

Mandeville: Oh, yeah. (laughs) I was a target almost all the time by the program staff. It was put on by the governor's immediate staff—Fletchers and the Paulas and Joan and so on. One of them was, "When the director walks down the street, all the directors say, 'Cheap, cheap, cheap.'" (laughter)

Czaplicki: Like "Rockin' Robin"?

Mandeville: "When my baby walks down the street..." It's a song, but all the words were changed. They had several songs. I've got two or three. I'll bring them in.¹⁰⁰

CHORUS: (WHEN MY BABY WALKS DOWN THE STREET) (BIG SMILES)

WHEN THE DOCTOR WALKS DOWN THE STREET	(hat and cane strut/tap -
ALL THE AGENCIES GO, "CHEAP, CHEAP, CHEAP."	right.....)
HE'S NOT A DOCTOR WHO CAN MAKE YOU WELL.	(hop front, hip hand, shak
HE CUTS PROGRAMS ALL TO HELL.	head....)
	(cut)
HE'S SO STINGY, I'LL SAY THIS,	(cutesy smiled, held
WHEN HE STIFFS YOU, YOU SURE STAY STIFFED.	straining....)
WHEN THE DOCTOR WALKS DOWN THE STREET,	(hat and cane strut/tap -
ALL THE AGENCIES GO, "CHEAP, CHEAP, CHEAP."	left.....)

FLETCHER: Let me tell you some more about this Mandeville fellow.

HUTCH: Do you have to?

FLETCHER: Why don't you just sit on your hands for a while or twiddle a couple dozen of those thumbs. I spent many hours in Bob's office. He could hold you spellbound with his brilliant expositions on the budget process. I would sit there in rapt attention. I never knew what the hell he was talking about. Just listen to this.

⁹⁹ Mike Huckabee,
¹⁰⁰ The reworked ly
party scripts. The tv

staff



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
BUREAU OF THE BUDGET
SPRINGFIELD 62706

BUDGET BUREAU BLUES

CHORUS: THEY CALL 'EM THE BUDGET BUREAU BLUES
AND THEM THAT CONFRONT 'EM WILL LOSE
YOU MAY ASK FOR A BUCK
BUT YOU'RE CLEAN OUT OF LUCK
GOT THOSE BUDGET BUREAU BLUES

VERSE 1: OLD DOCTOR BOB DOES A HECKUVA JOB
KEEPING GRUBBY HANDS OFF STATE REVENUES
THEY COME WITH DEMANDS, AND LEAVE WITH EMPTY HANDS
THEY'VE GOT THE BUDGET BUREAU BLUES.

VERSE 2: GOVERNOR JIM LOVES TO SPEND ON A WHIM
BUT YOU KNOW WHEN HE DOES IT MAKES NEWS,
SO WHEN HE WANTS THE DOUGH, DOCTOR BOB JUST SAYS, "NO"
GOT THOSE BUDGET BUREAU BLUES.

VERSE 3: SENATOR CARROLL LOVES THE PORK-BARREL
BUDGET BATTLES, HE HATES TO LOSE.
BUT IF HE PUTS PORK ON, HE MAY LATER FIND ITS GONE
HE'S GOT THOSE BUDGET BUREAU BLUES.

VERSE 4: AGENCIES SAY DOCTOR BOB GETS IN THE WAY
AFTER THEY PRESENT THEIR BUDGET PREVIEWS.
THEY WANT PROGRAMS SO NEW, BUT THEY CAN'T GET THEM THROUGH
THEY'VE GOT THE BUDGET BUREAU BLUES

VERSE 5: ANALYSTS FIND DR. BOB HAS A MIND
TO KEEP THE BUDGET BALANCED AND TRUE
IF THEY ASK FOR MORE CASH, THEN HE'S LIKELY TO SLASH
THEY'VE GOT THE BUDGET BUREAU BLUES

Czaplicki: Those would be fantastic to see, if you could make a note of that. I don't think we have a name for these things. I might call them the Thompson Follies.

Mandeville: They were good. It was all in good humor. There was nothing too bad. If you had a thin skin, you might be insulted. I was never insulted. One time, my wife and two other wives of some of the bureau sang this song “Ain’t Misbehavin.” There were three of them there. It was good. Just good fun in my mind.



Czaplicki: Did Thompson enjoy them?

Mandeville: Oh, he did. He really did. (pages turning) This is one of the parties, after the skit. This would be the audience back there. This was a farewell party that he put on for me because I was leaving. This was in the summer of 1990. After he said he was going to not run again, I said I’m not going to work anymore.

HOW TO BALANCE THE BUDGET

HOW TO BALANCE THE BUDGET. THERE’S A WAY, SAID THE WISE OLD MAN,
A WAY KNOWN TO EACH DIRECTOR SINCE THE WHOLE RIG’MAROLE BEGAN.
DO YOU FATTEN UP THE TREASURY WITH MORE TAXES?
DO YOU CUT AND SLASH THE SPENDING SIDE?
DO YOU BLEND A LITTLE TAX REFORM WITH COST CONTROL?
NO. THAT’S MUCH EASIER SAID THAN TRIED.

HOW TO BALANCE THE BUDGET, MARK ME WELL, I SHALL TELL YOU NOW.
THE WAY TO BALANCE THE BUDGET IS TO FUDGE IT;
SIMPLY FUDGE IT; MERELY FUDGE IT, FUDGE IT, FUDGE IT.

Czaplicki: What room would this be?

Mandeville: That’s the mansion. It’s the auditorium, where you dine—then you have the stage in the background. The stage was right back here. Jayne is in here. She would always attend. One of my sons. My wife is next to Jayne. I think that’s her.

Czaplicki: How about Jayne? Was she present much in decision making?

Mandeville: No.

Czaplicki: Would she ever have a role in that?

Mandeville: No.

Czaplicki: That would be private counsel.

Mandeville: She was a lawyer. She didn’t really participate. She would at the functions, but not in the budget deliberations. They were quite often lengthy, and they were, many times, late at night. During the budget deliberations, Thompson would come down to Springfield quite a bit, and Jayne did not come with him all the time. But if there was a party, like that one shown, she would be there.

Czaplicki: What was her personality like?

Mandeville: I liked her. She got along well with people. She had maybe the lawyer's—if there is such a thing—stature, or characteristics.

Czaplicki: Bearing?

Mandeville: Yeah, maybe...not really. She wasn't as tall as Thompson, but she was very tall. Her name was Carr, her maiden name.

Czaplicki: She worked in the attorney general's office, right? She was a pretty sharp lawyer herself.¹⁰¹

Mandeville: She was sharp, yeah. All I can say, I liked her. She appeared to be a good mate for Thompson at the time. Personally, I don't know too much about her. But she would be at all the dinners we went to in the mansion, and the skits and all that.

Czaplicki: Along the same line of the follies, any practical jokesters? Who were the court jesters of the Thompson administration?

Mandeville: Of the Thompson administration? Probably the closest would be Fletcher. He was just funny. By nature he was funny, no matter what the subject was. He used to walk around with a pencil stuck in his ear. (Czaplicki laughs) I mean, why would you do that? Yet he was very sharp. He was a good second man to Thompson.

Czaplicki: The last person I wanted to ask about, partly as a segue here, is Zale Glauberman. He's Thompson's legislative liaison. Curious about his personality and what it was like to work with him.

Mandeville: I didn't work with him a lot, because it wasn't too long after that Jim Edgar became his legislative liaison. Zale went to work for Daniels.¹⁰² Either him or his predecessor.

Czaplicki: How would you contrast the two?

Mandeville: I would say Zale knew the legislative process. There's two schools of budgeting. One is by Burkhead, who says you have organizational blocs and you've got to follow them. If you want a decision, you've got to go to this

¹⁰¹ Jayne Carr was deputy chief of the Illinois attorney general's criminal division when she married Thompson in 1976. She resigned her position in April 1977.

¹⁰² Edgar took over the post in 1979 after Glauberman became executive director of the Illinois Health Finance Authority. Al Manning, "The Big Jim Image Through A Looking Glass: Thompson's Appointees," *Illinois Issues* (February 1981).

bloc first, and then this one, and then this one. If you get stopped at any time, you quit. The other one is by Wildavsky, and his way was you get your decision any way you can. If you have to end run, you do that.

Czaplicki: Oh, Aaron Wildavsky?

Mandeville: Yes.

Czaplicki: Very famous political scientist.

Mandeville: I took both of those in my doctorate program. In there, we had the budgeting sessions, and Wildavsky, I always liked his approach, because nobody did Burkhead's way.

Czaplicki: Nobody did the Burkhead?

Mandeville: Not unless they were brand-new and didn't understand you could go see Madigan's guy, and if Tim [Mapes] agreed, you could get the program.

Czaplicki: Even though this other bloc said no?

Mandeville: Yeah. But they couldn't do that to us.

Czaplicki: If you could boil down Wildavsky's principle, then, what's his?

Mandeville: I would say you don't follow strict, structural organizations, but you do what you have to to get a program through. I don't know if we talked about timing, but if you want a new program for fiscal 2014, you have already lost, because it will never get in there. You have to have started in fiscal year 2012 to get a program in 2014. You've got to sell it first to the agency director. If he's not on board, it won't go, unless the governor mandates it. Then you have to sell it to a whole lot of other people, primarily the General Assembly, because the governor can't do anything unless the General Assembly approves it. That would be Wildavsky. Don't worry about whether these guys agree. If you get enough people here who understand, and you don't get caught by the governor or somebody before you're up here, and it's a good program, go for it.

Czaplicki: Did you have to work much through Zale's office, or did you have your own legislative people, or did the legislators come to you because of the nature of your bureau?

Mandeville: We had our own legislative people who were primarily there. Ed Welk was one in administration. He would do a lot of the coordination with the staff guy in the House.

Czaplicki: So he'd work with the House a lot?

Mandeville: House and Senate. If Zale wanted another program, he was free to go to our analyst. We didn't have any secrets on the budget. My feeling was the budget should be an open document. That's our budget, and the 1970 constitution gave us the right to be our budget and not somebody else's, and nobody in the executive branch can violate what the governor said. If they do, they've got to go see the governor. Zale understood all of that. If he had a program that he wanted to push, he might be able to get it—if Lee Daniels was behind it, for example. Lee Daniels seemed to be supportive of mental health programs. Those kind of things would float up through Zale. He would see both the program people and the bureau. Zale was good in covering all bases.

Czaplicki: How about Edgar in comparison to Zale?

Mandeville: Edgar worked more directly with the governor's immediate staff. He didn't work as close with the bureau as some of the staff guys in the General Assembly. After the 1970 constitution, John McCarter created a strong bureau with highly-qualified people who were able to understand agency budgets and agency programs. Both, they had to know. The General Assembly began hiring stronger people so they could meet evenly with the bureau analysts and discuss the program. That helped in both cases. It made us stronger, it made them stronger, and we got better programs, I think. Zale would have been an advocate of parity between the bureau and his analyst.

Czaplicki: Why do you suppose Edgar worked so much more with the governor's immediate staff? Why did that change happen?

Mandeville: I think it was just Edgar. Zale also worked with the staff, but he would also touch base with us. He was very closely aligned with the governor.

Czaplicki: Zale was, or Edgar?

Mandeville: Edgar was. He worked as an intern for Arrington. Russ Arrington was powerful in his day, so he [Edgar] got a good foundation. He then became a state representative.

Czaplicki: He went to work for Bob Blair, then he was a rep.

Mandeville: Arrington left the Senate, I guess, and Blair was House. Then he became legislative liaison, and then the governor made him secretary of state.¹⁰³

¹⁰³ Russell Arrington was the Republican leader in the Senate, and Edgar served on his staff until a year after Arrington's stroke in 1971. Edgar then shifted to the House as Speaker Blair's chief of staff. On these years, his time as a member of Thompson's administration, and Thompson's decision to appoint him secretary of state in 1981, see Jim Edgar, interview by Mark DePue, Volumes I and II, <https://www2.illinois.gov/alplm/library/collections/oralhistory/illinoisstatecraft/edgar/Pages/EdgerJim.aspx>.

Czaplicki: Thompson had two positions to fill. He tapped Ty Fahner to be attorney general and Edgar to be secretary of state.

Mandeville: Then George Ryan was lieutenant governor, and I think Ryan felt he would be the candidate, and Thompson picked Edgar.

Czaplicki: Could you tell he was going places back then?

Mandeville: Not really. I liked him. I get Christmas cards from him and Brenda. He was a religious person. Maybe that's the right word to say. A good family man. A good, solid man with good morals and so on was my view of him. I would have probably conducted the budget differently than Joan did, or than Edgar did, I guess—whoever was making the decisions. But they did it in a way that was good financially. He built up the balance for the next person. He didn't decide to spend for programs that he might have liked with that balance. He kept it there, and it was a good, healthy balance when Ryan took office. I didn't have a lot of relationship with Edgar. He tended to stay closer to the governor himself, probably sensing that the governor preferred him over Ryan for running, ultimately. I don't even know if they were thinking in those dimensions at that time, but probably. I think he made a good governor. He was there for two terms. Kept the state solvent. That would be my measure. (laughs)

Czaplicki: So you never had a Dr. Bob budget briefing with him, where you laid out the fiscal picture?

Mandeville: As what, secretary of state?

Czaplicki: Yeah.

Mandeville: Oh, yeah, I briefed him. I would go over to the secretary of state's office and brief him. He was interested in the bonds also, like Build Illinois and the revenue bonds and the GO bonds that we would sell from time to time to build buildings. He never went to the rating agency with us—it was always Thompson and me and my bond analyst—but he was interested in how that process worked.

And it's good that he was, because to maintain a triple-A, you've got to keep good relationships with Standard and Poor's and with Moody's. You don't have to worry about the others. Fitch, I think, is another one, but Standard and Poor's and Moody's are the two that mattered, that people listened to. When someone would argue and say, "I think you're hiding something here. It's not as good as you say it is. There's problems and you're not telling us," I'd say, "Don't talk to me. Talk to the rating agencies. They know what's going on. See what they say. If I try to fool you, you try to fool me—they're not trying to fool anybody. Their job is dependent on them making accurate assessments

of an agency's finances. Talk to them, and they'll tell you we've got a triple-A."

Czaplicki: Why do you think Edgar was so interested in learning about the bonds?

Mandeville: Well, he probably knew he was going to be governor someday. (laughs)

Czaplicki: Right, that's what I'm...

Mandeville: Yeah, I think you're right. Secretary of state is not a bad stepping ground. Howlett tried it. Unfortunately, he got beat up by Walker in the primary. Yeah, he probably knew that he was going to be governor.

Czaplicki: Did that strike you at the time, that it was interesting he wanted to know that stuff?

Mandeville: No.

Czaplicki: People would ask you about the bonds a lot?

Mandeville: No. Let's see, was that the time he was running? Was he running when he was secretary of state?

Czaplicki: Thompson nominated him to fill Dixon's vacancy, and then Edgar had to run on his own in '82 and '86. So when he ran for governor in 1990, he was sitting secretary of state.

Mandeville: Okay, that's when I briefed him. So he already knew he was going to run for governor at that time, yeah. You're right.

Czaplicki: So this wasn't something in the mid-eighties. This was much later?

Mandeville: Yeah, it was. It was when he was running, I remember now, because he had his staff around him who would become his campaign staff.

Czaplicki: Since we're on the topic, thinking about that briefing with him, how did his grasp of state finances strike you?

Mandeville: Good. He was sharp. He was smart. He knew the legislative process, which was critical to be a governor. He knew what he could and couldn't do in relationship with the General Assembly. He seemed to pick up finances very quickly. He wanted to know what was important in the budget, what had to be done, and what the pressures were that would be coming up in the next few years. We could tell him that, because that's how we did the budgets. We'd look out two or three years, up to four years, ahead.

Czaplicki: See, it's interesting. You talk about doing multi-year planning, but the state doesn't really report anything that way. Everything is reported on a fiscal year basis, whether it's comptroller's reports, whether you look at—

Mandeville: There would be fiscal years we would project.

Czaplicki: Right, but when you report a budget, we don't do multi-year budgeting. We do a budget for a single fiscal year, and that's what the—

Mandeville: Yeah. We used to do two-year budgets.

Czaplicki: Then we moved away from that.

Mandeville: But the '70 constitution changed it.

Czaplicki: The General Assembly, they don't do multi-year planning, do they?

Mandeville: I think they might. In a sense, I think the Economic and Fiscal Commission did the multi-year. I'm sure they did. At least in certain areas. You could check that out with guys like Dan Long, who was head of that commission for a long time. It's now called something else. I think that we may have presented some multi-year financial planning in the budget document, in the front part.

Czaplicki: I'll have to check. Some of the budget books, I know, would give three-year ranges for some of the statistics.

Mandeville: But you could give three different ranges, where the third year was the year you were going into, because all three years would be relevant to calculating the budget request. Like we talked about, you have three going on all at one time. At the time you presented the budget, the prior year wouldn't be over yet.

Czaplicki: You're talking about the legislature. In general, how were your dealings with them? Who were your key allies in the legislature, and who were your strongest opponents?

Mandeville: I had no real opponents. I had folks who we would kid back and forth with, Howie Carroll being one that comes to mind. I briefed the General Assembly on my own budget, but I also briefed them whenever they wanted to—by committee or however they wanted to do it—on the whole budget. So when I would go up to present the budget to the Senate Appropriations Committee, which Howie was in charge of—and it might have been the time when Cecil Partee was still there, before Phil Rock. Phil Rock, by the way, was a gem as far as I'm concerned. He was good.

Czaplicki: Frequent statement. People liked him.

Mandeville: Yeah. You could always rely on Phil Rock. If he said something... I'll just tell you one incident. The first budget that Thompson had was the 1978 budget, but a lot of the provisions of the 1970 constitution had not yet been implemented. They were phased in over time, some of them. It was '77, the first year of Thompson, and we were trying to get a tight budget before '78. We had to put a number for education, elementary and secondary. This is it. Seventy-eight million more, I think was the number. We said, "No more than seventy-eight million more." Well, Phil Rock called and said, "All I need is a couple of million more. We can settle the whole budget." I said, "Okay, I'll get back to you."

I called Ryan, who was Speaker at the time, or minority leader, one of the two, and I said, "George, Phil wants just another two million to make that eighty instead of seventy-eight." George said, "Absolutely not. Not a penny more than seventy-eight million." So I called Rock back and I said, "The Speaker won't go with it, so we can't do anything." He hung up, and then the session ended, and ended up with seventy-eight million more for education, our number.

It was like two o'clock in the morning. I was walking to go out the north door, to go to the mansion; they always had a get-together after the session. Phil Rock was walking behind me, and I didn't know he was behind me, and he yelled out, "Mandeville, you son of a..." (laughs) I turned around. I said, "Senator, what's wrong?" He said, "You knew that if we went by midnight, it would take a super majority to pass the budget and the Republicans would be in control." I said, "Well, you should have accepted our number." I had no idea that was true. (laughter) "You should have accepted our number and we could have settled a long time ago." We went ahead and we were friends the whole time that we were both there.

Back to the appropriations. Carroll would take the budget book—there was a whole audience there, and the media was there—and he'd say, "Okay, here is Mandeville's fiction book." (makes ripping sound) He'd take a page out and tear it. I'd say, "Senator, I'll get another book up here right away. You can have it. I'm going to keep giving you books until you stop tearing them up." (laughs) And he would laugh.

Czaplicki: Your fiction book. (laughs)

Mandeville: It was good-natured back and forth between Howie and I. He was a big advocate for nursing homes, which was a good program, but again, you had limits. He would call me and say, "Is there any way we can increase that reimbursement rate per person a little bit?" I'd say, "No. That's how far we can go." He'd never get mad, but he would be disappointed that we couldn't

go higher. If I were a program advocate, that would be one program I would support, because it does something good for a lot of people. But I'm not, and I can't.

Czaplicki: So no strong opponents, then?

Mandeville: Not really, no. I had somebody call me names once. But that was when I was superintendent of public instruction for a while.

Czaplicki: So later.

Mandeville: Yeah. That was Mark Beaubien. He was a representative. I think that was his name. He said, "I understand that you did this." I said, "Representative, I never did that." He said, "You're lying to me." I said, "No, I'm not. Check it out." So he did, and he found out that I didn't say it. We had those kind of things, but very seldom. Most of them, I just presented it, and if they disagreed, I said, "Okay, you disagree. So we disagree. Do what you have to do."

Czaplicki: Was Madigan quite the power then that he's become?

Mandeville: Madigan was a power, and I liked Madigan. I really did. And I don't recall any time—I probably was not privy to it—when he asked for anything for himself. He would ask for others. One time, his staff called and said, "Can we do this program?" I said, "No, we just can't. Things are too tight." So Madigan called and said, "Bob, is there any way we can do this?" I said, "No, Rep, we can't do it. We just don't have the money. We'd like to." He said okay. He dealt with you in a professional way. Jim McPike, you mentioned him. He did. We had Bill Redmond as Speaker for a little while, but that was before Thompson, I think.

Czaplicki: Pate Philip?

Mandeville: Pate? I'm a friend of Pate's. I went to some strange place in Chicago where we bought cigars. Bob Donahue, me, and four other guys worked on the third airport for a few years.

Czaplicki: The one that ended up in Peotone or the earlier plans for Lake Calumet?

Mandeville: Peotone, and Beecher City and that area. Monee. We found out Pate liked these cigars. So I went up to Chicago, and we were going to chip in. I don't think the other guys ever paid me, come to think of it. They had a humididor, a whole room by itself with the cigars in it. You walked in, and it was humidified exactly right. They cost like seven dollars apiece. I thought, Wait a minute, I'm not going to spend three hundred and fifty dollars for a box of fifty. But I did, and I think Bob Donahue paid his share. We gave them to

Pate. Pate was a good friend.

For a while, I headed up the Pension Laws Commission in the General Assembly. I wanted to hire a secretary, so I put out a request for secretaries to apply. Only got a few responses, and one was a woman who had worked for Mike Madigan's staff. I picked her, because she was the best of the few who applied. The nature of a legislative commission, you have to get all four leaders [to approve]. So I went around and I asked the four leaders. Of course the Democrats said okay, and Pate said, "Well, yeah, okay." Lee Daniels didn't have a problem with it. So I could hire.

But even before that, John Maitland, who was a senator from the Lincoln area, wanted me to take over the commission and head it up until we could find a permanent director, because he wanted to start it up again. I said okay. I went to the four leaders. Had to get their approval. Madigan approved right away, Pate did, and Lee did. I went to Jones.

Czaplicki: Emil Jones.

Mandeville: Emil Jones. He said, "Dr. Bob, why do you want this position? Is it important to you?" I said, "Senator, I don't care if I get it or not. Maitland asked me. I said I would do it. If you say no, I'm okay. I'll go back to smoking cigars and sitting on my deck." "Oh, oh, okay. You're okay." (laughs) He had no requests beyond that. But I did find out one thing, which I say in here: I never wanted to work for a commission with four leaders who have different views. It's awful hard to get a decision out of them. In the end, it worked okay; we did our job.

While I was interim head of that commission, Lou Mervis, who was chairman of the State Board of Education, called and asked me to become the second person in the state board. I think they were already thinking of Joe being removed, the superintendent at the time.

Czaplicki: We'll talk about that a little bit in our last one, your post-career. Just for the record, because it might mean something to some people, what kind of cigar did you smoke? Did you have a brand?

Mandeville: No, whatever people gave me. My kids would give me cigars. Pat, one of my sons, would give me little cigars. I think they were called Southern Rummies or something like that. They were sugar-coated when you put them in your mouth.

Czaplicki: And they were short?

Mandeville: They're not very long. They're about as thick as my thumb. They were okay, but I liked the better ones. I would buy some myself, and if I bought them, I

would just go into a cigar store and buy the ones that looked reasonable, that weren't really big. I would normally go by price. If I paid fifty cents a cigar, that was a lot for me. I probably wouldn't go much higher than that.

Czaplicki: Your share of the cigarette tax.

Mandeville: Right. (laughs)

Czaplicki: In that same talk where Thompson talks about his plan to cap the spending increase, he mentions that revenue is projected to grow by 400 to 450 million. Was that projection for just the general revenue fund, or was it for total general fund revenue? Because, remember, there's the two funds.

Mandeville: Same thing in my mind. We included all of those funds in the general fund, and called it the general revenue. It would be all of them.

Czaplicki: The reason why I ask this is because if we were only talking about the general revenue fund, just the piece that's not common schools or any of that other stuff, that projection was accurate. According to the comptroller's annual report, that general revenue fund ended up increasing by \$401 million. But if you look at all funds for the general fund—so common schools, the federal monies coming in—the total general revenue available, you actually go up by a little over \$500 million.

Mandeville: We were talking all funds, but we only talked about the federal funds that went into the general fund.

Czaplicki: But I thought there might be another reason why your projection ended up being over that first budget year.

Mandeville: Are you talking about the results? The first one was an estimate. The second was the result. They are never the same.

Czaplicki: Right. I'll be more specific about what I'm talking about, then. Later in your post-budgetary career, the *Post-Dispatch* had an article about you, and recently there was some fundraiser or something, where it was Steve Schnorf and Joan Walters and you, and you all talked about your budget experience. You made the statement that a good budget director should be able to hide—

Mandeville: Absolutely.

Czaplicki: —\$100 million in revenue. Was that how you did it the first year?

Mandeville: One tenth of 1 percent.

Czaplicki: Because the projection was off by about \$100 million. So is that where you hid it that year?

Mandeville: No, that was a coincidence. In making revenue and spending projections there's a range of possible choices. I would generally be conservative on both. I would opt for the low end of the range on revenue estimating, and the high end of the range on spending. Let's say that your revenue estimating folks, Dale Smith and so on, Dick Kolhauser, told you that revenues were going to grow between 350 and 400.¹⁰⁴ Instead of picking 400, I would pick 375, or maybe aim toward the lower end of 350. The spending that you felt you could afford, depending on the prior year experience, might be up between 350 and 400. I would normally pick something close to 400. After the projections were decided on, I would reserve 100 for the governor to help out with unanticipated requests.

Czaplicki: Right. But in your autobiography here, you said it only works once, because if you do that, then everybody figures out how you got that money. So every year, you were trying to come up with a new way of doing these things.

Mandeville: Right, you do. Seven times, but always after the projections were made in a conservative way.

Czaplicki: Do you remember the different things you were doing from year to year?

Mandeville: I said two of them, revenue and spending.

Czaplicki: That's why that first year, I thought that's exactly what you...

Mandeville: I don't really recall doing it in the first year, but I probably did. But there were seven. I don't recall them offhand. Let me think about it and see if I can come up with it. Also, on the eighth year, I'd run out of ideas, so I started over. To my amazement, no one caught it. I said this first in a meeting with Phil Rock and Howie Carroll in Chicago. It was a meeting of some group, probably the Civic Federation or somebody like that, in that one place where they all meet. What's the club there? Kind of an exclusive club.

Czaplicki: Not the Commercial Club.

Mandeville: No, where you can actually stay overnight.

Czaplicki: University Club?

¹⁰⁴ Mirroring the practice of the executive budget summaries his office prepared, Mandeville is referring to millions of dollars in this discussion. Here, he is discussing an estimate between \$350 million and \$400 million.

- Mandeville: University Club, yeah. We had a group of people there, and I said, “Howie, I’m surprised you never caught onto this, but here’s what I did in year one. Here’s what I did in year two.” (laughs) He looks at me.
- Czaplicki: Earlier in our talks, I don’t know if it was quite a complaint, but you said that the media, you could never really get a fair shake, because if you gave a low estimate, they’d say, “Oh, he’s trying to hide money. He’s doing this other stuff.” If you gave too high of an estimate, they’d say, “Oh, you’re being wildly exuberant. That’s never going to happen.”
- Mandeville: That wouldn’t be the media. No, the media was very nice to me.
- Czaplicki: But the General Assembly would say this?
- Mandeville: The General Assembly would say that.
- Czaplicki: But to some degree, they’re right. Right?
- Mandeville: Of course. We are both wrong. But it isn’t important, because the magnitude of correctness is there between their estimates and ours. If they wanted \$200 million more, they could say, “We believe that the bureau is estimating too low. It will be \$200 million more.” They might even appropriate to that level, and then we would cut it back, if things didn’t change or there was \$200 million more. But no, in here, most of the reports in the media were very positive. They were saying Burris should listen to the bureau and not to his staff, that kind of thing.¹⁰⁵
- Czaplicki: I guess it’s just this issue of, if people know that you are trying to build in a little bit of a fudge factor—
- Mandeville: They didn’t know. The governor didn’t know. Until later. That’s why some call it hiding money.
- Czaplicki: You don’t think anybody was suspicious?
- Mandeville: No. Oh, they might have been suspicious, but there was nothing obvious that would indicate that.
- Czaplicki: Right, but they still would be correct, in a sense.
- Mandeville: On what point?
- Czaplicki: Even if they don’t know, if they’re suspicious and they say, “The governor is going to find \$100 million in there somewhere.”

¹⁰⁵ Mandeville is referring to articles he included in his autobiography. Roland Burris was comptroller from 1979 to 1991.

Mandeville: They would say that, whether they thought I—

Czaplicki: And they were right, because you were trying to build that into your budgets, right?

Mandeville: Right, but whether they thought I hid it or not, they would say that. If they thought I hid a hundred, they might say two hundred is there.

Czaplicki: So that's the issue with the magnitude. They would think you were hiding much more.

Mandeville: No, I don't know what they were thinking. They didn't know I was reserving anything, to my knowledge. But I'm saying that you have to have flexibility throughout the year. Things come up that you cannot anticipate, and that amount is so minor, less than one-half of 1 percent, that you couldn't handle anything big, like a recession. You'd have to then cut or raise taxes. But you could handle little things so that the governor could, if he wanted, give the General Assembly something for a program that wasn't initially in the budget. I'd say, "Yes, Governor, I think we can find that. Let me work on it." (laughs)

Czaplicki: But is this a good thing to be doing?

Mandeville: Absolutely.

Czaplicki: It is?

Mandeville: You have to do it.

Czaplicki: It doesn't hurt your credibility?

Mandeville: Not at all. It certainly did not, because all through the process, the media supported Thompson and the bureau when it came to revenue and spending, not the opponents. Unusually so. It really surprised me. I don't know if you saw any of them. Initially, it was hold-the-line philosophy. (pages turning) This was the Reagan one. On the Reagan one, they had red, white, and blue jelly beans. Here's one where they say, "Draw fire and praise."

Czaplicki: "Dr. Bob draws fire and praise." And this is from?—

Mandeville: It should say in here.

Czaplicki: January 28, 1981.

Mandeville: If you read the article, the fire comes from the General Assembly, who wanted more money. That would have been a recession year. We would have been

into fiscal '82, actually, if it was calendar '81. The *Pantagraph* in Bloomington was not always on my side, but they wrote articles that were very positive about the bureau. Here's the one, for example. Unfortunately, the reproduction of this is not very good. But here's one where the record speaks for the governor, and the gist of this is that our estimates were right, within margin of error. This might have been Burriss. What year was it?

Czaplicki: That's *Rockford*, right?

Mandeville: That's the *Rockford Star*, yeah. Looks like it probably was around '83 or so.

Czaplicki: This says here, down at the bottom, "there are six years of proven accuracy in the governor's revenue estimates." That would probably be '83.

Mandeville: See? See what they're saying? How close we were? (laughs) Actually, we did come out pretty close. You can do a little something at the end, extend the payments somewhat, but you can't do much. You can't escape the long-term factor. You can do it one year, but you can't do it fourteen years. Things would catch up with you, and then you would have to do something drastic. So you had to manage it every year within very small limits of flexibility in order to achieve this kind of a response.

Czaplicki: When you mentioned Madigan making a call about some program, when would legislators be likely to contact you for something like that? Would they be doing it when you're drawing up the shadow budget? Were they aware of your process and try to get in early, or would it be after your budget came—

Mandeville: Way later. It would be toward the end of the session, when, to satisfy somebody—probably not himself—he wanted x amount for this program. Maybe to get a yes vote on something that he needed, so the budget, perhaps. It would be late in the session, almost always.

Czaplicki: It sounds like you were very well-matched with Thompson. Similar fiscal outlooks. He cared about the bottom line.

Mandeville: We got along very well that way.

Czaplicki: He backed you.

Mandeville: He backed me. And if he did not, I couldn't have done it.

Czaplicki: In theory, what recourse does a budget director have if the governor is picking programs and making decisions that put the state on a financially unsustainable—

Mandeville: I would have quit. I'm marketable with a doctorate in finance.

Czaplicki: How would you quit? Would you just slink away, or would you blow the whistle and say, “This is what’s wrong”?

Mandeville: No. I would go to the governor. I would never rat on my boss. I wouldn’t do that, like I think George Ryan’s guy ratted on him in the trial.¹⁰⁶ But I would never do that. I would go up to the governor and say, “Governor, I can’t agree with what you’re doing, and I’m offering my resignation. If you don’t like it, I’ll resign anyway.” If you had a governor like that, I probably would have never started with him. My sense was that Thompson would not do that. That he would come down and tell me, and convince me, or go along with me, if it was a serious financial issue. I felt that, and I was right. He did, from the very beginning.

Incidentally, Walker did also. In the one year I stayed with him, in those cases, we would call in the agency director to the mansion. Walker actually lived in the mansion. There would be the governor, the agency director, and myself. That would be it. I would have already briefed Walker on that agency, and he would call the agency director and he would say, “Jim, I’d really like to give you more, but I just can’t. We just don’t have the money, and you’re going to have to go without this program.” And this is the strength of a first budget—that was Walker’s first budget—the agency directors were all new, and they want to keep their job, so they’re probably going to go along with the governor. But he was very good at taking the bureau’s number that he believed in, and telling the agency director, “That’s it.” In other words, backing us up. Walker’s first budget was a very good one.

Czaplicki: That would have been fiscal year ’74?

Mandeville: Yup.

Czaplicki: Available balance [on June 30, 1974], \$453 million.

Mandeville: I think that he did what every good governor should do, and that’s start off with a chance to do something in the program area in the next three years. If you don’t do that, you’re dead almost from the beginning, because you’re always playing catch-up, like they are now. They’re playing catch-up. There’s no good solution to what they’re doing without a tax increase or a dramatic cut in spending. You can hope the economy will improve, but that’s false hope, because we’re heading for a different end in the economy with the Federal Reserve doing what they’re doing. They’re lowering the value of the dollar every time they do this thirty-five billion, or whatever it is now, per month, printing up new money with no backing. We’re going to have

¹⁰⁶ A reference to Scott Fawell, Governor Ryan’s chief of staff, who testified against him in exchange for a reduced sentence for his fiancée.

inflation, and I think a drop, a big drop, in the market. In fact, I'm staying very solvent. (laughs)

Czaplicki: We can talk about that a little bit later. They're very convinced they'll be able to withdraw a lot of that without spiking the interest rates, but we'll see. In terms of the shortened first term, Thompson comes in and has to serve that gap term in order to get on that new schedule.

Mandeville: They want to be off-center with the presidential, yeah.

Czaplicki: Right, get off the presidential cycle and put it on the off years. Thompson has to run a whole new campaign already in '78.

Mandeville: He ran right away.

Czaplicki: How did that impact your ability to govern in that first year?

Mandeville: Not at all, because we had the '78 budget. That began in July of '77 and went through June of '78. He was already, of course, running then. He had Bakalis, as I mentioned and showed you one letter here, where Bakalis made a very basic mistake of supporting a program for which he did not know how he was going to pay. We were coming off an austere year also. Which said, "Hey, the money isn't there. What are you going to do, Mr. Comptroller? How are you going to pay for this?" He couldn't answer. I think that it [the two-year gap term] was not an issue. As I said before, Thompson could win as many times as he wanted. Stevenson gave him the best race. Some five thousand votes.

Czaplicki: The '82 race.

Mandeville: Yeah. But outside of that, he was not really challenged too much.

Czaplicki: So on to some of the legislative initiatives and other things that happened. Very briefly, how important is the Crosstown settlement that Thompson works out with Bilandic in '77? They're going to build that highway in Chicago, and they don't, so a lot of money gets freed up to come from the federal government.

Mandeville: I don't know. I'm not that familiar with it. It was handled by DOT. I didn't get into programs that much. I got into federal aid coming into the—and how they were using the road fund, and what share, if any, should go in the motor fuel tax, and ultimately to replace general funds in areas like law enforcement, who drove on the highways. I didn't get into that program. I don't recall any involvement in that.

Czaplicki: I think the amount was something on the order of two billion.

Mandeville: Yeah.

Czaplicki: A pretty big amount, and it's supposed to get split.

Mandeville: I know what it was, but my emphasis was always the general fund.¹⁰⁷

Czaplicki: One that does impact the general funds is Class X sentencing. This passes the legislature overwhelmingly. The Senate passes it November 22, then the House follows on November 23, 1977. Thompson waits about a month, but then he signs it. It was incredibly popular. It passes overwhelmingly.

Mandeville: Oh, sure. It's like voting for apple pie.

Czaplicki: What was your take on this measure at the time it was going through?

Mandeville: I thought it was good.

Czaplicki: You did?

Mandeville: Yep. I thought there should be such a law. I also liked the truth in sentencing. Eighty-five percent served. If you do the crime, you do the time.

Czaplicki: Mandatory minimums, right? Six-year minimum for these offenses.

Mandeville: They already had felonies, you know, one, two, three, four. Then they added one more, I guess. I'm not sure exactly what the makeup was. If I had a program view on it, it would be positive.¹⁰⁸

Czaplicki: How about budgetarily, though, thinking about how you're going to pay for this?

Mandeville: I'm not sure. I'm not sure that caused an increase. Do you think it caused an increase in the population?

Czaplicki: Well, these are the general fund expenditures.

¹⁰⁷ Opposition from community groups and Governor Walker prevented Chicago mayor Richard J. Daley from constructing the Crosstown Expressway. In 1979, Governor Thompson and Mayor Byrne worked out a deal that killed the project while retaining \$2 billion in earmarked federal money. That money was then redirected to other state transportation projects. See [Placeholder for interviews with JRT, Fletcher, and Skinner(?)]; Greg Baise, interview by Mark DePue, August 7, 2013. 67-69; Kirk Brown, interview by Mike Czaplicki, December 22, 2009, 27; Victor de Grazia, interview by Marilyn Huff Immel, 1981, 30 and 40-41.

¹⁰⁸ Prior to this legislation, Illinois had four classes of felonies. See "Class X," *Handbook*.

General Fund Spending, Department of Corrections¹⁰⁹

Fiscal Year	Nominal	Pct. Δ	2012 dollars	Pct. Δ
1973	69,821,384		361,020,600	
1974	72,569,152	3.9	338,002,571	-6.4
1975	82,564,069	13.8	352,386,125	4.3
1976	NA		NA	
1977	96,310,002		364,948,852	
1978	115,684,657	20.1	407,340,342	11.6
1979	142,016,037	22.8	449,133,577	10.3
1980	171,659,895	20.9	478,294,497	6.5
1981	222,754,549	29.8	562,653,572	17.6
1982	234,924,772	5.5	558,945,448	-0.7
1983	243,652,592	3.7	561,670,337	0.5
1984	288,719,096	18.5	638,053,251	13.6
1985	334,244,432	15.8	713,130,856	11.8
1986	376,787,450	12.7	789,248,953	10.7
1987	397,087,223	5.4	802,520,661	1.7
1988	410,200,239	3.3	796,041,605	-0.8
1989	437,742,328	6.7	810,483,851	1.8
1990	496,025,627	13.3	871,290,404	7.5
1991	553,587,578	11.6	933,222,485	7.1

Mandeville: For Corrections?

Czaplicki: Right. I'm not including any other weird monies, but general fund. You can see what happens nominally. That's the percentage increase that's happening. I think you see a pretty strong impact.

Mandeville: Was that passed in '78?

Czaplicki: Seventy-seven it went through. Thompson signed it December of '77, so I think it would have taken effect in '78.

Mandeville: There must have been other things involved there. I believe Thompson may have come in with a strong view on these matters, criminal activity and being a prosecuting attorney. I don't know that for sure. What, they go from \$96 million to \$115 million?

¹⁰⁹ Figures on Corrections and Public Aid spending from Illinois Comptroller's Office, *Illinois Annual Report*.

Czaplicki: Basically, 20 percent every single year up until 1981.

Mandeville: And that was the recession?

Czaplicki: Then you have the recession, then it continues once you get out of the recession, 18.5 percent. Then over here, this is the constant dollars, so the increases aren't quite as dramatic, but 11, 10 percent.

Mandeville: Right, but it's still big in constant dollars. I guess I would have to say that this was a priority of the administration, and independent of that, I would have followed it whether I liked it or not, because this is what their program was. I think locking up criminals is a good idea. I think letting the lesser ones free is also a good idea, if you make sure you let loose only the lesser ones and not do what Quinn did.¹¹⁰ (laughs) It was a priority, and I think if you look at DCFS—do you have a chart like that on any other agency?

Czaplicki: I'm going to develop that for you.

Mandeville: Check DCFS. I think you will see a similar pattern of emphasis on abused children and taking care of elderly and so on.

General Fund Spending, Department of Public Aid

Fiscal Year	Nominal	Pct. Δ	2012 dollars	Pct. Δ
1973	1,463,622,124		7,567,849,659	
1974	1,496,215,845	2.2	6,968,867,466	-7.9
1975	1,691,652,505	13.1	7,220,027,764	3.6
1976	NA		NA	
1977	2,038,626,595		7,724,996,571	
1978	2,061,338,940	1.1	7,258,235,704	-6.0
1979	2,179,582,346	5.7	6,893,049,798	-5.0
1980	2,346,149,707	7.6	6,537,056,860	-5.2
1981	2,580,025,937	10.0	6,516,862,685	-0.3
1982	2,834,421,748	9.9	6,743,806,205	3.5
1983	2,845,253,926	0.4	6,558,907,160	-2.7
1984	2,924,550,961	2.8	6,463,096,046	-1.5
1985	3,064,904,313	4.8	6,539,160,045	1.2
1986	3,160,775,612	3.1	6,620,811,923	1.2
1987	3,164,360,067	0.1	6,395,230,532	-3.4
1988	3,276,213,741	3.5	6,357,876,462	-0.6
1989	3,547,033,120	8.3	6,567,363,673	3.3

¹¹⁰ Department of Corrections director Michael Randle initiated an accelerated early-release program that freed 1,718 short-term convicted felons in September 2009, which Quinn ended three months later after 56 of the parolees committed new offenses. "Quinn Admits Prison Error," *Chicago Tribune*, December 31, 2009.

1990	3,780,857,131	6.6	6,641,238,593	1.1
1991	4,060,719,347	7.4	6,845,447,315	3.1

Czaplicki: The budget is a skeleton of the state; we're supposed to be able to see the priorities. By contrast, we could look at Public Aid. I just did these two as a comparison. The real interesting number, I think, is when you look at the constant dollars, control for inflation. You look at Corrections and you look at Public Aid. Public Aid, I was stunned. That was not what I expected to see.

Mandeville: If your emphasis is on doing things to improve the economy, you would expect to see this. Or if, without your emphasis, the economy improved during this period, you would expect to see this.

Czaplicki: Because your caseloads would decline?

Mandeville: Yeah. Hopefully, more people would become employed. It wasn't until '94-'95 that we have a significant break, a recession-type thing, then again in 2004, 2005. Except for '81, a year or two here, it was a pretty good economy, it was growing. This is not too unusual. I am not surprised by it. There also may be a factor here—I notice in the Walker years, it was higher, or kind of higher. At least in this year.

Czaplicki: Under the constant dollars, right. These would be nominal on this side.

Mandeville: Yeah. It was kind of mixed here. It went down and then back up again. I would say that maybe the Democratic Party feels more strongly about helping welfare recipients and social programs than the Republican Party. That may be partly this. I know that we did [try], and I think that Art Quern, who was a guy very sensitive to social matters, would have been one who would be trying always to lower the caseload because the people would move to a better setting. A job, for example. On Medicaid, I'm not sure I know why. Revenue sharing came in about this time. It could have been that the revenue sharing was used partly to offset the cost here. I just simply don't know. Probably this was independent of that.

Czaplicki: When I look in these comptroller reports and I see Public Aid—General Fund, a lot of those expenditures are also going to Medicaid?

Mandeville: Oh, yeah. Public Aid includes income maintenance and Medicaid and staff operations.

Czaplicki: So both of those are in there?

Mandeville: Yup. The bigger part, by far, is Medicaid, the medical. The general assistance was limited to a much smaller population. If you're a person making money that would not qualify you for income maintenance, it may still qualify you for what we called MANG, Medical Assistance—No Grant. A lot of people got

that, and it would normally be the result of a catastrophic illness or condition that would cause them suddenly to have medical bills that were far out of line with what they usually incurred. It was roughly this time that they implemented the Comprehensive Health Insurance Program, CHIP, which would insure some people that way instead of through Medicaid.¹¹¹

Czaplicki: In years where Medicaid reimbursements get delayed, those delays wouldn't show up on these tables, right?

Mandeville: No. In any one year, yeah, it could, but if there was the same delay every year is what that shows. That the same amount was delayed. Either that, or the budget is even much smaller. Some years, it was delayed more. But across time, you can't do it.

Czaplicki: But would they go back? Seventy-eight, let's say. So this figure is \$7,258,000,000. Let's say there was \$100 million that got delayed. If it got delayed into 1979, would it then get reported as 1979 expenditures, or would it be counted still against '78?

Mandeville: It would be counted against the appropriation for which it was made. But it would be counted for 1979's cash balance. If you had Public Aid—and initially, I don't think we had that law change. I think that came later.

Czaplicki: That did come later. I think you're right.

Mandeville: If the law was in effect and allowed you to spend past years' appropriations for an extended period—in other words, until they were all gone—that would have an impact on the new year appropriation in the early years. You could appropriate less, because you were carrying over these two. But that only lasts a couple of years, and then it normalizes. You have to think of this in terms of what does the trend look like. Across time, it looks like either the same amount was delayed or—I don't know any other explanation. Is this spending or appropriations?

Czaplicki: Spending. Not the appropriation.

Mandeville: It would approximate appropriations over time, obviously.

Czaplicki: Just the general fund spending. It doesn't include any other.

¹¹¹ In 1986, the General Assembly created CHIP to allow medically uninsurable individuals to obtain health insurance, with premiums set at 135 percent of normal insurance premiums and an initial lifetime cap on benefits of \$500,000. Although the program was to take effect April 1, 1988, funding concerns forced Governor Thompson to delay its implementation until 1989 and limit enrollment. Dan Egler, "Thompson Postpones Health Plan," *Chicago Tribune*, March 29, 1988; unsigned editorial, "Promises Made and Unkept in Illinois," *Chicago Tribune*, January 16, 1989. [Placeholder for JRT and Stamp discussion of CHIP(?)]

Mandeville: Most of Public Aid was general fund.

Czaplicki: In terms of spending and appropriating, though, how else did you fund the prison building program? Would most of that come out of general funds, or were there other special funds that were helping fund that?

Mandeville: You mean the new buildings? Yeah. There would be a capital program. If we could use something else, we would, but we probably had to use general fund for general fund purposes. On highways, for example, we got a lot of federal money, and it was road fund, so it wouldn't affect this. I would say on most things that were built—colleges, we could use the college tuition fund, something like that, that U of I and other major universities had. They could build a building and use that fund. In fact, we asked them to do it until that fund couldn't take any more to build a building, then general fund would supplement it. But for most of these programs—Mental Health, Public Aid—generally, you didn't build a building. I don't ever recall building a building for Public Aid. We bought the Sears Building, a one-time expenditure in the year that it happened. We bought the Prescott Bloom Building, or we may have built that. I'm not sure. But those were the two big buildings here.

Czaplicki: The Sears Building?

Mandeville: On Second and South Grand [in Springfield]. Sears Roebuck had it for years, and they relocated to the mall, so it became vacant. We first leased it, and that's what we do a lot of. We lease it, so it becomes an annual operating cost, but not a high-capital expenditure. If you were to build a building, and let's say it cost \$50 million, you would appropriate and re-appropriate each year until it was spent. And it may take ten years for planning and ultimately building and furnishing it, so maybe \$5 million a year. What you would do instead, normally you wouldn't spend general funds directly. You would sell bonds, GO bonds, and build it with the bonds, and then pay off the bonds with whichever fund supported it. If it were Mental Health, it would be general funds. But in that time period, we weren't building mental health facilities or public aid facilities, except local, what we call general assistance groups. We were building *a lot* of prisons. Those prisons were largely financed with GO bonds, general obligation bonds, which were paid for from the general fund.

Czaplicki: Secured by the general revenue.

Mandeville: The revenue bonds, later on, Build Illinois, were financed by a combination, where you took a percent of the sales tax, which is general fund, put it into a Build Illinois principal and interest fund, and pay it that way. The thing that should be said about that is that you have to control the limit, or the amount of your bond sales per year, to a level that the general fund can support in paying principal and interest. Typically, they're twenty-five-year bonds. They could be thirty-year, I suppose, but they're normally twenty-five-year bonds. You

want to, of course, sell in the lowest interest rate environment, but you can't do that, because you sell every year. But we would sell maybe \$300 million to \$400 million, as I recall. That's maintainable. If you go with something like Blagojevich did, to sell \$10 billion in one year to pay operating costs—partly to pay operating costs or retirement—that's not the way to go, because you're paying for those bonds for twenty-five years, but you've already spent them. The idea is that the thing you build with a bond should last as long as the bond payments last. That's the theory. If you're building buildings, that's probably fairly accurate. If you're using it for operations, that's not. That's not accurate.

Czaplicki: How about one last issue, and then we'll call it a day today. Coming off of prisons, related to it, public employee unions.

Mandeville: Public employee unions?

Czaplicki: The first group that organizes under Governor Walker's executive order is Corrections—guards.

Mandeville: Oh, the guards, yeah.

Czaplicki: They're the first ones that organize, and they choose AFSCME to be their bargaining unit. A little bit of background on this. In '73, Governor Walker issues executive order number six, which I believe he did in September. This allows non-supervisory public employees to organize and collectively bargain, and only those that were under the governor's control, which is still a significant 65,000 out of about 120,000 state workers. What were your thoughts on public employee bargaining? And did you agree with Governor Thompson's support for public employee unionization? Because he comes out on the campaign trail, as did Howlett—the two of them say that they support these kinds of things. He honors Walker's agreement.

Mandeville: You're asking me now, Monday morning quarterbacking, because I wasn't involved at the time. I didn't really care about it as a program issue. If they organized and that caused spending to go up, they would have to accommodate it within whatever mark we gave them. That meant fewer staff. It's like, what do I think about a lieutenant being thrown off the third floor of the Stateville Prison the first day of the new governor?¹¹² That's not a good idea, because it killed him. But that's what they did, and there's nothing I can do about that.

¹¹² Three days after Governor Walker took office, an inmate stabbed Stateville guard James Zeiger and pushed him over the tier's railing. Four years later, following the 1977 stabbing of Lt. Peter Burd at Stateville, Governor Thompson told reporters that investigators were considering the possibility it was a "ritual murder to test the new governor." Frank Haramija and Frank Zahour, "Guards Rebel at Stateville," *Chicago Tribune*, January 27, 1973; William Griffin, "Thompson: Was Guard's Killing 'a Ritual'?" *Chicago Tribune*, January 14, 1977.

I would say that unions are good, generally speaking, but they have to be controlled, like any other program spending. They can get out of hand. But the unions are important politically, I guess, to a governor. The unions that arise within government itself are insignificant to the union members who vote, obviously, because we have only 2 percent of all the employment in Illinois. Or did at that time, state employees. They might be important for financing. The unions might support the governor in financing the campaign. I don't know that they do or don't. Generally, Republicans are not liked by unions. (laughs) Thompson was unique. He was a guy who ended up, socially, bordering on the liberal, and fiscally, on the conservative. That's a unique person, and he could carry it off. Most people probably could not.

Czaplicki: At least at this time, the public sector is one of the few sectors that still have a lot of energy in terms of organizing and building. So even if they were a small chunk of overall employment, in terms of what they mean for the union movement and the labor movement in the US, they're very, very important. In some ways, this is enabling. It's a life line.

Mandeville: But AFSCME already existed in many places. I would be more concerned with the—and I wasn't really, because I didn't get into programs that much. When they made the correctional guards equivalent to the state police and they could retire after twenty years at 50 percent, that was questionable until I began doing the retreats in Jacksonville and visiting the prisons. I see that there is a need to do something. These guys work in dangerous situations quite often. They have it, apparently, well-controlled. You don't hear of too many riots in the Illinois prisons, but it still is a problem. They were given the same retirement benefits as state police. That might be overdoing it, but...

Czaplicki: AFSCME grows pretty rapidly. They were fifteen thousand members in the spring of '73. They grow to twenty-six thousand by the spring of '75.

Mandeville: Okay, and there's five million people working in Illinois.

Czaplicki: By '83, they're going to be sixty thousand.

Mandeville: It doesn't matter in the magnitude of things if you're talking about union support. You'd be better getting UAW and the auto workers, and the laborers and the carpenters, Local Sixteen. Get all of them to support you.

Czaplicki: But they're dying. Those unions are getting shrunken down.

Mandeville: Well, yeah, I suppose. I don't know how AFSCME is faring in the last twenty years. I've been out of this for twenty-three years, so I'm not real sure what's happening.

Czaplicki: Were you worried about their potential impact on the budget?

Mandeville: No. My job was to fit it in with whatever the governor decided was best for himself and the state. I fit that into the limit.

Czaplicki: Did it impact the negotiation process at all when you're dealing with the agencies? Prior to this, all the director had to worry about is their priorities and satisfying you, but now, if they have to worry about a strike, if they have demands coming from their workforce to put things on the table, wouldn't that change the process?

Mandeville: No. It didn't really, because it would simply be another thing that had to be in there, if the contract were already enacted. If it was not, then we couldn't consider it. It was not something to consider. If it got enacted during the year, it probably might not be effective for that year, and we could crank it into next year's. Did it add an additional item to be considered? Yeah, of course. But can you do it by fewer people? Maybe. Did you have to raise taxes to support it? Possibly. We raised taxes. Thompson was not afraid to raise taxes if he had to, and he would, and he did. He supported a continuation of temporary taxes, and so will Quinn, but he doesn't know it yet. (laughs) He will support the continuation. He has to. If we're \$5 billion in the hole now, what's it going to be when he loses another \$1.5 billion?

Czaplicki: That increase is about to expire. They have no answer.

Mandeville: What they'll probably do, if I had to guess, they will say, "Okay, we'll do it for one more year and then we'll get serious." They won't get serious then, either.

Czaplicki: Do you think there's a danger in public employee unions? This idea of the unholy alliance, where politicians get political backing. They're very willing to vote a tax increase. It's coming out of the public's pocket. Unions can keep on increasing their benefits. You get this negative feedback in a way.

Mandeville: It doesn't matter. They're too small. If the other unions do not support a pay increase for state employees, it doesn't matter what AFSCME thinks. They're just too small in terms of the total employment in Illinois. It gives us headaches, perhaps, for the budget process, in the sense of one more thing to consider, but it can be considered, and it is the governor's priority, so it's in there. They can't not fund it. If they won't take something else out, we will.

Czaplicki: I don't remember which contract this was, unfortunately. I think it's the first one Thompson works out with unions. There was an interesting provision, because there was a big argument over what was going to happen with a pay raise. The wisdom of Solomon: you split it, so they get half their raise. Then, depending on where revenues came in—

Mandeville: Wait, Solomon didn't split anything, but okay. I understand your point. (laughter)

Czaplicki: Depending on what happened with the revenues, because you were arguing about projections and the figures. The unions thought the money would be there. You were arguing, I think, that it wasn't going to be there. If the projections came in at a certain level—

Mandeville: I was saying our revenue estimate would be met.

Mandeville: There was, however, one case where the final difference in the funding level was determined by a contest. Ivan Pavkovic was head of Mental Health. I think he was under Walker, and stayed on with Thompson for a year, at least. In the first year, we were at the mansion in one of these budget meetings, and we were \$5 million apart. Ivan was making his argument why Mental Health needed the \$5 million. I was making my argument: in the first year of a new administration, you can't give them the \$5 million. So Thompson said, "Dr. Bob, do you play ping pong?" I said, "Yeah." "Ivan, do you play ping pong?" "Well, yeah, I have a little bit." He said, "Up on the third floor, we have a ping pong table. Go up there and play three games, and whoever wins gets their way." So we went up there. Ivan was one of those defensive players, stood way back. I played a lot of ping pong. I was actually pretty good at it at that time, and I was more aggressive. We played it, and I won the first game. Then he revealed who he really was. He was an Eastern European ping pong champion. (laughter) Oh, hell, I lost. He beat me the next two and he got his \$5 million.

Czaplicki: Do you think Thompson knew that he had this skill? Did he rig the solution? (laughs)

Mandeville: No. He didn't know. He had more confidence in me than I think he should have. For example, there was a race around Springfield. You had to walk or run about ten miles. One of the [runners] was Mike from DCCA.

Czaplicki: Woelffer?

Mandeville: Yeah, Woelffer. He was a good athletic guy, and I was running at the time. It wasn't connected with the budget, but Thompson somehow said, "Mandeville is going to beat you, Mike," in one of our budget meetings. Mike said, "We'll see." I was a fair runner, not a good runner. I had nine-minute miles on marathons, but I could go maybe eight minutes on short runs. Well, Mike beat me, and Thompson was convinced I was going to beat Mike. I don't know why he felt that way, but he did.

Czaplicki: A lot of faith in you.

Mandeville: Yeah. (laughs) But those were times that were fun times. It wouldn't be fun to be there now, unless you had a governor like Thompson or Ogilvie who you could work with and who would back you, and who would always let you know what's going on and go in tandem with you on programs and decisions. Those times are gone, and hopefully they'll come back some future date.

Czaplicki: So you think governors, generally, don't put the budget bureau in that same...

Mandeville: I think, generally, they don't have a budget bureau like ours. Oh, you mean Illinois governors?

Czaplicki: I'm thinking about the contrast between then and now. What you think is different now.

Mandeville: I think they don't. I think they have too many pressures that they listen to. Thompson had the same pressures, and Ogilvie did. Ogilvie had an advantage in the second year because of the income tax. He could give big increases, relatively speaking, to education, than what could happen today. Ogilvie had complete confidence in McCarter and the bureau. It was a whole new concept on how to do budgeting. Thompson had confidence in me on financial matters, budget matters. That's the whole world of success or not success.

Czaplicki: Edgar thought very highly of Walters.

Mandeville: He did, yes. That's right. I don't know who made the decisions. Maybe Joan did, I don't know. Or maybe Jim Edgar did. But yes, he did.

Czaplicki: When do you think we moved away from that older model that you're talking about?

Mandeville: Certainly Blagojevich. Ryan had Steve Schnorf, I think, most of the time. It might have started then. In my opinion, George Ryan was like the chairman of the board, not the CEO, and people under him, collectively, were the CEO. He should have watched some of them closer. The problems with Ryan were in the secretary of state, not the—

Czaplicki: Not the governor years.

Mandeville: Yeah. I always liked him. I think he was a good, solid guy, and I think he made generally good decisions. Steven Schnorf did a good job, reasonably, in the bureau. Blagojevich just wrote a whole new book on it, and he ruined the finances of Illinois for years to come. We won't get out of this very quick.

Czaplicki: Why don't we break it there?

Mandeville: Okay.

Czaplicki: Then, when we do our last session, maybe you could say just a little bit more about in what ways he violated it. We'll stop it here today, and then we'll pick up in our next meeting with some more of this stuff. Thanks very much.

(End of interview 4)

Interview with Robert Mandeville

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Interview # 5: February 20, 2014

Interviewer: Mike Czaplicki

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Czaplicki: Today is Thursday, February 20, 2014. I'm Mike Czaplicki with the Abraham Lincoln Presidential Library, and I'm here for my fifth interview session with Dr. Robert Mandeville. How are you doing today, Bob?

Mandeville: Good. Sixty degrees!

Czaplicki: Yes, it's a glorious day here in Springfield. A preview of spring. Before we get into the meat of things today, I was reading an article and I saw a little humorous line in there that I wanted to ask you about. Apparently, above your office door you had a sign. It said, "Abandon all hope ye who enter here."

Mandeville: Yes, I did. That was aimed at the agency directors.

Czaplicki: Did you go out and purchase this sign, or just have it laying around?

Mandeville: No. Somebody gave it to me. Probably one of the directors. I can't remember.

Czaplicki: And the poker table. You had a poker table in your office?

Mandeville: I did. My feeling was that when a director comes in, especially a new director, he may be a little bit concerned. So I brought in a table I had, which was a circular table big enough for maybe six people to sit around. I just asked them

to take a chair anywhere they wanted, and I took a chair that was empty. Therefore, nobody was at the head of the table. I think that put them at ease. Unless it was Jack Wallenda, and then I couldn't put him at ease. (laughs)

Czaplicki: The other thing I wanted to ask you is, obviously, you caught a lot of heat in your tenure. An object of much criticism in the press, because you're often saying no to programs.

Mandeville: Well, the press might have. I think the people of Illinois were saying yes. (laughs)

Czaplicki: Well, we could reflect on that, but in terms of the press, I noticed two notable nicknames that joined Dr. Bob. One was Dr. No, after the James Bond villain. I've also seen the Abominable No-Man.

Mandeville: Yes.

Czaplicki: I'm wondering how you felt when you read names like that.

Mandeville: I was pleased, because that meant I was doing my job. Keeping the state solvent, that was my job. I was not a program guy. I was a budget guy. My only job, I felt, was to make sure the state stays solvent and provide as much money for programs as you can, but no more than what we had.

Czaplicki: Do you think, generally, the public supported that?

Mandeville: I'm sure they did. I think I saw a figure where 2 percent of Illinois's population is state employees. I wonder what the other 98 percent think. Have you heard any outcry over the decrease in employment in state government over the last several years? No. (laughs) Not from the people. I say that facetiously. Actually, I felt that you should maximize delivery to programs, to the extent the dollars allowed. I was never allowed to do it, but even if I were, I would try not to do it, and that's build a large balance. There's no reason to build a large balance simply for building a large balance. I would say four hundred million would be enough in those days. Maybe five, six hundred million today. You can get by with that. At the end of certain terms, they've been well over a billion. That's more than you have to save. You don't need that much to run a government. It's a good cushion against future problems, but you've got to handle those when they come.

Czaplicki: On the notion that the public is often fond of reading about a cut in state employees, is there something that that joy misses? It's very popular, I think, to attack bureaucrats, or attack government officials or—

Mandeville: Yeah, I think it misses the fact that most state employees that I knew were good, hard workers, and they earned their money. The characterization of

them as not going to work and not doing work when they go there is wrong, for the most part. In any government agency you are likely to have the perception that they are not working as hard as if they were in private industry. In private industry, the CEO has to produce or he's fired. In government, you may get reelected, even if you do not produce. I think it's the perception, but I think it's wrong. I think the state employees, by and large, were good workers, the same as private industry. I've worked in private industry, I've worked in federal government, I've worked in state government, even a small stay in local government, and people were the same. The ones who want to work and advance will work. The ones who don't will not work and will find ways to slough off when they can. But I find that everywhere, not just in government.

Czaplicki: You had a fairly thick skin about criticisms against you, but how about your family? Would it ever bother your wife or your kids to read about Dr. No?

Mandeville: No, it didn't. When I was temporarily interim superintendent of public instruction, I found that the groups within the State Board of Education were former superintendents, former principals, and each of them had built a castle and surrounded it with a moat. I found it interesting and challenging to try to get across those moats to enter the castle and see what was going on. Generally, I could do that. I take that as a challenge. If people call me Dr. No, I'm saying no because there's no money, not because I'm against the program. Many of these articles that you have will show that others perceived me as saying no because there was no money, not because I didn't like the program. Big difference in my mind.

Czaplicki: Definitely. That's very helpful. The other question I wanted to ask you is your relationship with other constitutional officers, particularly the comptroller, since you had obviously come out of the comptroller's office to go back in the executive. In our second interview you mentioned having an argumentative relationship with the budget bureau while you were in the comptroller's office. So now that you're on the other side, you're in the executive, how was your relationship with Roland Burris?

Mandeville: Probably not good. I had a view on what was going on and I'm sure Mr. Burris had a view, and they were not the same. I felt that, at times, he was stretching what was actually happening, to his side. I probably did the same thing—not necessarily—when I was in the comptroller's office. That time, it was Walker in the budget, and I was in the comptroller's office. On a personal level, the folks like myself and the Burrises, and the Phil Rocks and others, got along well. But in a policy or political statement, we didn't always get along. We presented our side of the argument and they presented theirs, and let the media and the people decide who's right.

Czaplicki: Can you think of any examples where you thought he was stretching?

Mandeville: I might have it in my autobiography, but I don't recall a specific instance. Probably something to do with revenues. But in here, just to see how the media responded, at least. (pages turning) They say something about eight proven years of accurate revenue estimates, and Mr. Burris would be well-advised to listen to the bureau and accept their revenues. So I had at least one friend up there. I think that was the Bloomington paper. I'm not sure.

Czaplicki: We can try to track that down later. Getting back into some of the particular policies and events that were happening, June 6, 1978, California passes Proposition Thirteen. This limited increases in property tax assessments and capped the property tax rate. In July, Governor Thompson cut \$1.13 billion in spending the General Assembly had added to his budget. When he made these cuts, he actually cited the Proposition Thirteen vote. He said, "The people want lower and more efficient government spending and lower taxes."¹¹³ So how significant was Proposition Thirteen in terms of Illinois's state budgeting and the politics around budgeting? Was that something that got a lot of attention, and do you think that had an impact?

Mandeville: Not in my mind. We didn't do that. I think Cook County had something that limited the amount. Am I wrong on that?

Czaplicki: I'm not sure. I'd have to look into that.

Mandeville: I'm not either. We didn't do it. I know Massachusetts and California both did it. Maybe it would be fair to say that the value of the homes on the two coasts were greater than a comparable house in the Midwest, and therefore the tax on the people was much greater. It may not hold true for all of the Collar Counties, but certainly for most of the state. Recently, Springfield came out as the least-cost place for housing in Illinois. Probably not surprising, but there are a lot of southern cities that are farther down in the income level than Springfield.

Czaplicki: Thompson did do one thing that fall: he tried to put that resolution on the ballot, a nonbinding resolution giving people the option of voting on something like a property tax decrease.

Mandeville: Right, which was not binding.

Czaplicki: Did you support that move? Do you think that's a good idea?

Mandeville: What was the year?

Czaplicki: Seventy-eight. This was following Proposition Thirteen. I think he's thinking about his campaign against Bakalis.

¹¹³ Mitchell Locin, "Thompson Cuts \$1 Billion," *Chicago Tribune*, July 18, 1978.

Mandeville: This would be the beginning of his campaign for the second term, right?

Czaplicki: Correct. This is for his first full term.

Mandeville: I don't recall ever getting involved in the property tax issue, except to understand the pressures on Cook County, especially in relation to school aid. If they continue to raise the property tax, and 60 percent or 70 percent is education, that would hurt them in that way. The state aid formula did not recognize differences in the cost of housing. It was built on the total property tax and the tax effort of the school districts, to decide how much of the formula they got. I had a book on the general state aid formula. I didn't bring it, because it gets pretty detailed and complex.

Czaplicki: Soon after the '78 election, in which Thompson secures his first full term, he makes a decision that's incredibly important in Illinois political history. Despite high inflation and a weakening economy, a few weeks after the election the General Assembly voted to raise their pay by eight thousand dollars. They also raised the pay of the constitutional officers, the executive office, and the state judges. Back in May of '78, Thompson had promised that he would veto any pay raise, and he did. He did veto the pay raise. But he did it in such a way that he allowed enough time for the General Assembly to immediately override him and pass this pay increase. Did you do any analysis on the budgetary impact of the pay raise proposal?

Mandeville: No, because it didn't matter. It was so small in comparison to a twenty-five-billion-dollar budget that it really didn't matter. And we weren't going to win. Once they overrode, it was history.

Czaplicki: Do you recall discussing it at all with Thompson, that this was coming down the pike?

Mandeville: No. I might have, but I don't recall doing it. My concern was basically the same as Thompson's: the top ten agencies that comprise 95 percent of the budget. If we hold those and the General Assembly wants to give themselves a pay increase, while I may not like it, it didn't affect the budget at all. And it's so minor. It's like if you say that you have a hundred million figure for some reason, the difference in revenue or whatever, that's roughly one-third of 1 percent. So you can say that 99.97 percent was still there. It's just not important.

Czaplicki: What did you think of the way the measure passed, though, and Thompson's role in it? Kind of, "Oh, I kept my promise; I vetoed it," but—

Mandeville: I would praise him for that. (laughs) I don't recall it being a recession time at all, but it was a time of relatively tight budgets, still. They could have picked a

better time, perhaps, to do it. But eventually, they should get an increase like everyone else.

Czaplicki: The way it had been interpreted was that it wasn't a real veto.¹¹⁴ That this was a deal he had worked out with the General Assembly, where he could look like he was vetoing—

Mandeville: I would never get involved in things like that.

Czaplicki: No?

Mandeville: No.

Czaplicki: Since it was obvious what had happened in terms of the fast turnaround between veto and override, a massive public backlash did develop. This is what helps put Pat Quinn on the map. Pat Quinn is one of the leaders of the Coalition for Political Honesty, and he starts mailing in teabags and depositing them on the governor's desk. He pushes for an amendment to eliminate cumulative voting and cut fifty-nine seats from the House.

Mandeville: One-third. And change the nature, right? Or was that done in the constitution? Used to be there had to be two and one.

Czaplicki: Right, that was cumulative voting. You had three votes. They got rid of that. They changed the nature of the voting.

Mandeville: That was done through the individual initiative?

Czaplicki: Yes. This got put on the ballot in 1980 and it won. We call this the Cutback Amendment. It got approved by 67 percent of the voters, and it was to take effect in 1982. What did you think of this response at the time? Did it surprise you that there was this outcry of that level?

Mandeville: An outcry? From whom?

Czaplicki: These people angry at the pay raise. Because that's really what fueled that whole movement.

Mandeville: Oh, no. No. I don't think it had any connection. I was saying before that 98 percent of the workers are not state employees, some number like that. If you put a proposition on the ballot, let's say to cut the income tax, it would pass by a massive amount. If you cut down the number of legislators, it would pass. And it did. You would expect that. Was it a good idea? I don't know. I don't know, really, the merits of the cumulative versus—they could be two Republicans or two Democrats, in the same district.

¹¹⁴ [Placeholder for *Handbook* entry on "Cutback Amendment" and "Cumulative Voting"(??)]

Czaplicki: Generally, it was supposed to guarantee minority [party] representation.

Mandeville: Yeah. You've still got that, I guess.

Czaplicki: Those might be popular issues, but the timing to put the amendment right on 1980, and a lot of their rhetoric, when they were dropping the teabags off, cited the pay raise. They said it was pigs feeding at the trough. So that really did seem to fire them up, motivate them.

Mandeville: It might have. I have no idea if it did or not.

Czaplicki: Do you think it changed the nature of the budgeting process?

Mandeville: No.

Czaplicki: Because some people say that the Cutback Amendment really enhances the power of the General Assembly leadership.

Mandeville: Only in their area. It still remained a strong executive budget under the 1970 constitution, and Thompson knew how to use that. Remember, he had the item veto. He also had the reduction veto, which is very unique among state governors. The feds don't even have a reduction veto, or item veto, really. They have to do the whole thing. I think you have a very strong executive budget in Illinois. The General Assembly has the right to do whatever they want to with that, but then the governor has the right to change their decisions, and they have to consciously override him. It's a good system.

Czaplicki: And they need three-fifths to do that, right?

Mandeville: Yep. Three-fifths on some, but I think the reduction veto may only be a simple majority.¹¹⁵

Czaplicki: If you would talk to other state budget directors when you went to your conferences, were they jealous of this gubernatorial power?

Mandeville: I don't know if they'd be jealous. Some of them wished they had it. But yeah, it was a unique power of the executive. No question that the 1970 constitution changed the budget process dramatically, giving the executive more power than he ever had before. As I mentioned in an earlier meeting, prior to 1970, the General Assembly would demand the budget submissions from the agencies before they went to the governor. That's incredible when you think about the separation of powers. In 1970, John McCarter, who was the head of the bureau under Ogilvie, quit doing that. Ted Lechowicz, rep from Chicago, said to McCarter, "We need those budgets. Are you going to give them to us?"

¹¹⁵ [Placeholder for *Handbook*. "Gubernatorial Veto Power"(??)]

John just looked at him and said, "No." And that was the end of any submissions. Then we told the agencies, "Do not submit them to the General Assembly." That's what the constitution said.

Czaplicki: And it never went to court?

Mandeville: Never went to court. They knew they wouldn't win. (laughs) The constitution was pretty clear. The General Assembly has an obligation to appropriate within the resources they estimate are available. It's fairly broad language, and it can include the available balance. It's been stretched to include the amount that typically doesn't spend every year, called lapse appropriations. They could probably include that. But the fact that many governors, not only Thompson, cut back what the General Assembly sent them suggests that maybe they exceeded their revenue estimate by appropriating funds.

Czaplicki: So on the whole, you think this was a good change, these extra veto powers? The reduction veto and the item veto.

Mandeville: Oh, absolutely. Oh, yeah, it was. If you're an executive, on the executive side, very definitely. On the legislative side, they probably don't view it the same way. On the other hand, they have powers too. In the end, only they can appropriate. We're not a democracy. We're a republic, aren't we? If they feel strong enough about it, they can simply not appropriate. Or if they want the money there, they can override the governor, as they did in the pay increases.

Czaplicki: Nineteen seventy-nine, the following year, you finally hash out a way to develop a personal property tax replacement. How important was this change, and were you running out of time to do this? Did you go right down to the wire? Did you have more time to come up with a solution?

Mandeville: Say that again? Personal property tax?

Czaplicki: Right. The constitution had mandated that there be an end to personal property tax, and so the state legislature had to develop a replacement source for that revenue.

Mandeville: Are you talking personal property tax or the corporate?

Czaplicki: I think, primarily, it hit corporate property.

Mandeville: I think it was only corporate.

Czaplicki: But it wasn't land, it was fixed capital and things like that.

Mandeville: Oh, personal property. Yeah, I understand now. Missouri still has it, by the way. We developed an alternative source to replace it.

Czaplicki: I know some companies, like Caterpillar and International Harvester, and the Chamber of Commerce weren't especially happy, because they felt that the rate that was set to replace the personal property tax was more than just a replacement, that it was actually raising significant amounts of new revenue. Was their critique accurate? Was that the case?

Mandeville: I frankly don't know. Revenue would have done most of the work on that. I just recall that we had to factor it into our deliberations. But that was a local government issue, not a state government. The replacement was state government, and I don't think it involved homeowners, just corporations. Corporate personal property tax. Missouri, for example, still has an individual personal property tax. If you own an automobile, you pay a tax on the value of it, determined by the assessors. I assume what you're saying is accurate. I just don't know. I never got involved in it, so I'm not sure what Caterpillar felt. They stayed in Illinois, so I guess it didn't hurt them too much.

Czaplicki: When companies would threaten, "This is going to chill business. We'll build a new plant; we might go," how often did they actually carry out those threats? And was there any way to project potential losses of revenue?

Mandeville: Oh, yes, you could do it. You could project the revenue. If Caterpillar leaves their major plant in East Peoria and moves to Alabama or somewhere, sure, you could project the amount of corporate income tax that would be lost. You could project the amount of sales tax that would be lost, because people would not have a job. The unemployment costs and so on. How often did they do it? I'm not sure. ADM was the latest one, and they didn't move.¹¹⁶ (laughs) More often, at least recently, it was a question of would this company locate in Illinois, or was the tax burden too high for them? The Mitsubishi plant in Bloomington is a good example.

Czaplicki: Diamond-Star Motors.

Mandeville: Diamond-Star. Where we actually went to Japan, to talk to them about locating in Illinois, and there were other competitors. We ended up getting the plant. I think since then, Mitsubishi is now basically Daimler, the German company.

Czaplicki: Governor Thompson undertook a lot of travel to try to drum up international business. Several trips to Europe. He went to the Soviet Union towards the end of his term. He went to Japan several times, China multiple times. But there was also some debate about that. Was this money well-spent opening up

¹¹⁶ Archer Daniels Midland moved its headquarters from Decatur in 2013. The firm considered Minneapolis, St. Louis, and Chicago, and asked the state for tax credits as an incentive to stay in Illinois. Although the state did not provide any tax breaks, ADM still chose Chicago.

these trade offices all over the world? What were your thoughts on that at the time?

Mandeville: I was on the team that went to Japan, and we ended up getting the plant.¹¹⁷ So yeah, it was worth the trip. Thompson and I would also travel within the states to the major financial cities when we had a new bond program, such as Build Illinois, or maybe just the GO bonds, or select revenue bonds, like the college funds. We would go to San Francisco, New York, Chicago, various financial centers, and push our program. By doing that, we felt that we probably did receive more bids on the bonds than we might have otherwise, and the more bids, the lower the rate, typically. I went at least once to Europe to test selling bonds in franc denomination, Swiss franc, or Japan yen, or English pound. That was before the euro. While the rates were lower, we feared the probability of exchange rates changing, and we decided not to go that way. This was probably in the early eighties, when we were selling bonds at 11 percent. We were hoping to get a lower rate. The rates, for example, in Zurich, were much lower than 11 percent, but there was no assurance that we wouldn't get caught in the middle, so we decided not to, going on the path of caution.

Czaplicki: I want to talk more about bonds in a minute.

Mandeville: This, incidentally: "There were six straight years of balanced budgets that Thompson directed. To challenge the governor in this field stretches credibility." This is just one of the articles. There's another one that talks about Burris specifically. I think it was Burris challenging our revenue estimates. I think that was the issue.

Czaplicki: This is the *Rockford Register*.

Mandeville: That's the *Rockford*, the other was Bloomington.

Czaplicki: May twenty-second. Not sure what year this is from. I don't think it's on there.

Mandeville: Is that it?

Czaplicki: No, page A-12. May twenty-second, but no year. But this is back to the point about Burris.

Mandeville: You can tell, there are "six years of proven accuracy." First budget was '78, so early eighties. That would have been the time.

¹¹⁷ Diamond Star Motors, a joint venture between Mitsubishi and Chrysler, opened a factory in Bloomington-Normal in 1985. Thompson first began lobbying Mitsubishi on his first trade mission to Asia in 1979, and he secured the company's commitment in 1985. [Placeholder for JRT's discussion of the negotiations, as well as Woelffer and/or Peter Fox on economic development(?)]

Czaplicki: When you mentioned personal property tax, you said that's something Revenue would have worked on. Generally, when the governor is thinking of new tax proposals, would they do the heavy lifting on developing those initiatives and what the pieces would be? Would that come out of your office?

Mandeville: Local government, possibly. No. On the major taxes, income and sales, we would do it.

Czaplicki: Bureau of the Budget, but not Revenue?

Mandeville: No, not Revenue. We might collect data from Revenue, but we would do the estimates. All revenue estimates were made by the bureau, certainly under Thompson. In the first year I stayed with Walker, they were also made by the bureau, and under Ogilvie. Prior to Ogilvie, under Shapiro and Kerner, I don't know how they were made. There is a story going around, in the forties, I think. I forget who it was who was governor. He went to the General Assembly with a request for a one-cent increase in the sales tax, and he had the revenues written on the back of an envelope. They found out later he had added it wrong, and so he didn't need the sales tax. Someone discovered it. (laughs) That was the state of the art. I'm being partly facetious, but that was the state of the art prior to 1970, prior to Ogilvie. Ogilvie changed state government and brought it into the twentieth century—twenty-first century now.

Czaplicki: Was Illinois unusual in having Bureau of the Budget handle revenue estimates? Would other states leave that to Revenue?

Mandeville: There were commissions that did it, as I recall, prior to Ogilvie. But with the strong executive budget in the 1970 constitution, the bureau took it over. John McCarter was the right guy at that time to do this, because he had the governor's backing, Ogilvie's backing, and he could do it, and the constitution backed them both up.

Czaplicki: How did Revenue feel about this? Did they ever squawk about not—

Mandeville: I'm not sure Revenue had it. There were commissions and committees outside of agencies, independent, probably including—I'm guessing now. I shouldn't be doing that. But probably including General Assembly folks who did the revenue estimates. Today, and beginning with Ogilvie, we have an executive estimate and a legislative estimate. The two are typically very close. Maybe hundreds of millions, but 1 percent, roughly, between the two revenue estimates. Sometimes the bureau is higher. Sometimes the bureau is lower. It depends on what we think. If we have a range of options on every revenue estimate, so you can assume the economy is going to grow by 3.1 percent or 3.2 percent, which one do you pick? I would probably pick the 3.1, the more

conservative one. If you think spending is going to grow by 4 percent or 4.2, I would pick 4.2. That safeguards you on both ends, and that gives you a hundred million for the governor too. (laughs)

Czaplicki: I'd intended to give you some numbers comparing the two estimates, but it's a little more complicated because the legislative commissions were often updating their estimates. So you have to make sure you're both measuring from the same period.

Mandeville: And you're not. The other thing you have to look at *always* when you're talking about revenue estimates or spending estimates or deficits or surpluses, you have to look at the premises that underlie those estimates. If you and I agree on the premises, we will agree on the number. The problem is we don't agree on the premises always. We don't agree on economic growth, or lack thereof. We don't agree on the cost of some change in the tax structure. For example, the personal property income tax on corporations now being replaced. We would agree with our number, but we won't necessarily agree with the General Assembly's number.

Czaplicki: I was looking at it quickly, but it seemed like there were private companies involved in helping build up the estimates, like Chase Group.¹¹⁸

Mandeville: Probably, yeah. But not our estimates.

Czaplicki: Right, but the legislative commission's.

Mandeville: It could be. I don't know.

Czaplicki: But Bureau of Budget didn't draw on outside contractors like that?

Mandeville: No. We had our own people. We did draw on outside data. We would collect the federal data. As I mentioned in one other session, we would work a correlation over time, say, twenty years of correlation. If the—I think it's called the R-factor—fits, then we would say it's reasonable to assume that the relationship between this federal factor and this state factor will remain constant. You don't have a similar projection of state level anywhere, but you know what the feds are projecting. With the correlation, you can project income tax, sales tax—the major variables. You can't always project things like liquor tax or cigarette tax. But again, they don't really matter.

Czaplicki: I don't remember the first year the Illinois Economic and Fiscal Commission did this. It might have been mid-eighties sometime. They had developed what they called the Illinois Economic Model. They had some mathematical model

¹¹⁸ Data Resources Incorporated and Chase Econometrics were the two firms. Illinois Economic and Fiscal Commission, *Revenue Estimate and Economic Outlook for FY1979* (June 1978), 3. For a description of the IEFC's Illinois Economic Model, see Appendix A in the estimate for FY1980.

of how the economy would respond in certain ways. Did you have something similar?

Mandeville: Yes, we did. I would call it a model. Dale Smith and Dick Kolhauser had various equations and methods of projecting individual taxes separately, and they weren't the same model, of course. Sales tax doesn't act like the income tax. It tends to be more steady. The personal income tax is pretty steady, but the corporate tax goes like the stock market today. (laughs)

Czaplicki: You've mentioned before that the Bureau of the Budget can't ever look back in terms of evaluating past budget performances. You're always forward-looking at the Bureau of the Budget. You're not auditing.

Mandeville: Did I say that?

Czaplicki: Mm-hmm.

Mandeville: I say we shouldn't look back. But we use the past in terms of revenues and spending to project the future. We use the past in welfare caseload. But we can't dwell on the past. It's gone. Nothing we can do about that. But we can learn from the past.

Czaplicki: I was also wondering what you did for your modeling. How you checked its accuracy, how you improved upon it. Did you use outside auditors for that, or was it always in-house?

Mandeville: Always in-house. Larry Toenjes was a Ph.D. in economics. Dick Kolhauser was an ABD in economics. Dale Smith was probably a master's. We had good talent. Myself, I had a lot of economics. My major at GW in my doctorate was economics. Together, we had sufficient talent and experience, the same as if we had hired somebody from outside. We didn't need them. This kind of article was not unusual, that we did have good estimates, and they came out fairly close. They're never the same. You're going to be wrong when you make an estimate. The only question is, don't be too wrong. In '81, there was a recession that caught us by surprise. Our revenue went down about three hundred million, which was significant enough in those days to really take note. We had to do something to correct it.

Czaplicki: You guys seemed to have a lot of pride in your bureau.

Mandeville: We did. There was a lot of spirit and a lot of pride, because we had a good record, starting from the first year. Actually, the first year with Walker came out almost exactly. The last six months of a fiscal year belongs to the new governor. Five and a half months. He takes office in January. Walker had projected an ending balance of \$100 million for June 30, 1977. When we went to the rating agencies for the first time, Thompson and I, we said the estimate

would be \$50 million. It ended up at—right.¹¹⁹ Because of this, the rating agency said, “Okay, we believe you.” That really got us off to the right start. All we did was cut \$50 million, which was well within the inherent error in estimating. We knew it wouldn’t be a \$100 million; it might have been zero, but we thought about \$50 million. That’s the kind of result that the bureau took personally, that we did something right. That, with what I would call the morale builders that were built into it, not by us but by the governor; he made us feel like we were doing something important, which we were. So yeah, we did have pride.

Czaplicki: You showed me the photo before, the softball game, you and your staff playing a game, and you would go for your runs.

Mandeville: That was the comptroller’s office.

Czaplicki: That wasn’t the budget?

Mandeville: Hit my only home run in that game. Out to right field, and I’m right-handed.

Czaplicki: Did you do similar things within the Bureau of the Budget?



Mandeville: Oh, yeah. I should have brought some of the early brochures. We had teams—softball teams, basketball teams. In the early bureau, they had football teams, and of course the director, John McCarter, had to be the quarterback. We had probably more sports than later, but there were still sports, especially softball teams.

Czaplicki: This pride in your spirit, did you feel competitive with other agencies when you were making your estimates?

Mandeville: Other agencies? No.

Czaplicki: Or other branches, say, versus the legislative estimates?

Mandeville: Sure.

Czaplicki: Did you want to beat them?

Mandeville: I wouldn’t say we wanted to beat them. We wanted them to agree with our estimate. I guess that’s how you characterize it. We weren’t making revenue

¹¹⁹ Czaplicki showed Mandeville the table of general fund ending balances. FY1977 was \$52,057,026.

estimates to compete. We were making revenue estimates because we felt that's what they would be. If the Economic and Fiscal Commission came up with a different estimate, we would sit down with Dan Long. We would sit down with them and try to understand the premises that they used versus the premises that we used. Where we found the different premise, we would say, "Okay, we have to disagree on this premise. That accounts for this amount of the difference between the two." It was, I would say, a friendly relationship.

But if you read the article that I gave you in the magazine, you will see the legislators were saying that they would have to take the bureau's estimates because they were more accurate.¹²⁰ They wouldn't take their own. They could take their own if it were higher and they wanted more programs, but then we'd just have to cut it back to our estimate. If one of our premises was wrong and they could convince us, we would change. We had no problem with changing. But they had to do it by premise, not by total number. That didn't mean anything. We always looked at what underlied the estimate.

Czaplicki: That helps flesh out the picture. It seems like you might have had a slightly different relationship with the staff of the legislative commission versus the actual legislators who were on the commission.

Mandeville: We never dealt with the legislators.

Czaplicki: Just the staff?

Mandeville: Except if they called us up to testify on our estimate. With the staff, yeah. They had economists. They had good people working there. They had a guy who was an expert on bonds. Our bond analyst would work with him. He never went with us to New York, but we would work with him if he disagreed with us. He might be saying, "You're selling too many bonds," and we would explain why we're doing it. We sold maybe \$300 million a year, which was not a large amount because we had not accumulated a lot. While we were selling new ones, we were paying off old ones.

Czaplicki: Would it be fair to say that each institution made the other one better?

Mandeville: Yeah, right. I would say relative to the staff too. When the General Assembly began to hire budget analysts to help them, it made our budget analysts sharper because they knew now they had someone who knew the area too, and they would be darn sure they were right before they went before the General Assembly. So yeah, I think it helped both staffs.

¹²⁰ See Don Sevenser, "Robert Mandeville: The Governor's Gatekeeper," *Illinois Issues* (November 1984), 7, for a "legislative and administration insider" stating, "There is this guy's estimate and that guy's estimate, and then there is the WORD OF GOD. He knows his facts."

Czaplicki: Moving on to another very big policy issue, and one that gets into some issues about bonds: November 13, 1979, Moody's lowered the Chicago School Board's credit rating, citing doubt that the board would be able to pay its debt. The very next day, the Chicago School Board tried to sell nearly \$125 million in notes.

Mandeville: These weren't bonds. They were short-term borrowing.

Czaplicki: Right, notes, not bonds. I should be more precise there. I'm thinking ahead to the school reform. They were trying to sell these notes to fund payments on roughly an \$85 million loan and meet their payroll, but there were no buyers once Moody's dropped the rating. This sets off a series of events—

Mandeville: Why were there no buyers?

Czaplicki: Because Moody's dropped the rating, was my understanding.

Mandeville: They had no way to repay it. They could not finance their debt service. That's why they lowered the rating.

Czaplicki: But this is what Moody's is signaling by lowering the rating.

Mandeville: Right, right. Yeah.

Czaplicki: This sets off a series of events, which includes the resignation of the superintendent and the board president. CPS missed its payroll for nearly fifty thousand workers, which was the first time this had happened since the Great Depression. Then Jerome Van Gorkom, who chaired Mayor Byrne's School Finance Oversight Committee, revealed that the schools actually needed \$190 million by the end of January, and \$459 million by August thirty-first. So we're at the Chicago Public Schools fund crisis, right?

Mandeville: Right.

Czaplicki: There's various proposals that are floated to try to address this crisis, but none of them really go anywhere. Byrne and the state treasurer, Jerry Cosentino, wanted the state to step in and buy \$100 million of short-term notes in two installments, which the governor rejected. The governor proposed loaning \$50 million.

Mandeville: That's what it took, by the way; \$50 million is what they needed for debt service.

Czaplicki: Then a third option was taken by the teachers union, as well as Cosentino. They tried to take it into the courts. The teachers were trying to force the school board to sell its real estate holdings. Cosentino was trying to force the

court into letting him furnish emergency funds. All this bubbles up. In the meantime, the teachers are talking about potentially striking, since they're not getting paid after missing two payrolls.

Mandeville: Reasonable thing to do.

Czaplicki: So the governor decides that there needs to be an emergency summit to bring all the stakeholders together and then try to hash something out. Where did this summit idea come from? Was that his doing? Did somebody else think this up?

Mandeville: I think they called him the Ayatollah. He called them all to the mansion and locked the gates.¹²¹ I don't know if he really did it. But yeah, I was there at those meetings, and the head of First National Bank of Chicago was there.

Czaplicki: I have a list here somewhere. Let's see.

Mandeville: It may not have been the top guy, but it was one of the top guys. Avery something?

Czaplicki: Edwin Yeo, First National Bank of Chicago; John Perkins, Continental Bank and Trust; and Newt Minow.

Mandeville: It was Yeo. It wasn't Newt Minow. We were sitting in the mansion, in the living room area, couches and chairs.

Czaplicki: During the actual summit, or is this before the summit is held?

Mandeville: That was the summit, because you had all the top guys there. They were throwing out ideas. Most of them were sitting there, not knowing what to do. I called Larry Toenjes over because he's smarter than I am. I said, "Larry, we've got this problem. They need \$50 million on debt service by X time. What can we do?" Larry was a very humble guy. He sat down. He said, "What's the operating tax rate for school districts?" They said, "\$2.11." "What do you need for debt service?" "Fifty cents. With that assessment, we can give you \$50 million." He said, "Let's drop that down to \$1.61, and use the other fifty to finance the debt." That was his solution. They paid their debt, and there was no strike. People got paid. Very simple. That's all it took, somebody who could think out of the box. Because *nobody* wanted to touch that, see. If you drop the rate, they get more state aid. General state aid formula.

Czaplicki: Interesting. That's not quite how I read what happened.

¹²¹ Reference to the 444-day ordeal of the Americans taken hostage at the U.S. Embassy in Iran. The Iranian Revolution brought Ayatollah Khomeini to power in 1979, and the embassy takeover that November was a response to the U.S.'s admission of the deposed Shah for medical treatment in New York.

Mandeville: Well, I was there. That's what happened.

Czaplicki: I was under the impression this got transferred to a different institution.

Mandeville: Who transferred? What do you mean?

Czaplicki: The plan that I read about emerging from this meeting is that there were three steps. Step one would be to raise \$150 million to get CPS through its first week of operations. Pay back all of the back pay it owed, which is about \$85 million.

Mandeville: Borrow new money.

Czaplicki: The rest of the money would pay bills and get through the end of the week. Step two put the city of Chicago on the hook. They were supposed to raise \$225 million to operate the schools until the end of April. Then step three, the big one, was the General Assembly created a Chicago School Finance Authority, which would sell \$500 million in long-term bonds. This would supposedly shore up Chicago school finances. The authority was given the power to levy new taxes, and then the school board taxing would be lowered by whatever amount. When you just said this got dropped down, I was under the impression, well, that got dropped, but then that amount went to the School Finance Authority. Am I misconstruing—

Mandeville: No, I think you're right. But my point is, the solution was to work with the operating tax rate to solve the problem. What you needed was money to pay debt service; fifty cents will generate \$50 million, which will debt service \$500 million in long-term debt. What was happening is the danger of short-term borrowing: you borrow this much in year one, you pay that back in year two, and you borrow this much. Then you pay that back in year three. That's what was happening. I thought it got up to something like \$250 million in short-term borrowing. You finally get to the point where the source that financed this will not finance this. They were that close to defaulting. Maybe they did default. I'm not sure. But very close. So you had to find some way to get rid of the short-term. That was part of converting it to long-term bonding instead of the short-term borrowing, which is always a danger. My only point was that the catalyst, or the idea that started the whole thing that you mentioned, was right here. Without that, they could not have done what they said they were going to do. Larry Toenjes was the guy. I sat there when he did it. And I'll tell you, the guy from First National Bank, he just looked there in awe, like...

Czaplicki: So he saw it instantly?

Mandeville: I think he did. Yeah.

- Czaplicki: My understanding of the summit, at least some of the ground rules, is that there was an opening meeting where all the different stakeholders—
- Mandeville: The stakeholders were there.
- Czaplicki: —met, and the governor talked to them.
- Mandeville: Yep. Not leaving until we solve this.
- Czaplicki: Then everybody was sent off in their own separate areas?
- Mandeville: Within the mansion.
- Czaplicki: Although you would still get together to have meals together, or was it not that structured?
- Mandeville: No, I don't think it lasted that long. A couple of days in my memory. Yeah, they probably did, but when we were called in, everybody was there in the living room, just wondering what to do. No one had a solution. You can say, "Make Chicago pay," but that's not a solution; they may not have the money to pay. The school district was in trouble, so we had to solve it through the school district mechanism. The things you mentioned did happen, but in my mind, at least, they could not have happened had there not been a new source of revenue to finance the bonds that they were going to sell. That's the \$50 million a year. Fifty million a year will finance a lot of bonds.
- Czaplicki: Is it really a new source of revenue, or is it just putting a different label on?
- Mandeville: Well, they couldn't use it for bonds. It's an operating tax. You had to move it out of the operating tax into the debt service.
- Czaplicki: To make a dedicated fund?
- Mandeville: Yeah. You've still got the \$2.11 in total. And I think if you lower the tax rate, your state aid goes up, so that probably was one factor. I'm not positive of that point. My memory is that this started and it worked, and they got out of the bind. By converting the short-term to long-term, they didn't have the every-year-type problem to come up with the debt service to retire the bonds. It wasn't the debt service itself that hurt them. It was, suddenly, they had \$250 million they had to pay, which they had not made provision for. If you set aside \$10 million a month or \$20 million, you would have the money, but if you don't—
- Czaplicki: They were trying to borrow to pay that?

- Mandeville: It's like a balloon loan on your house. If you do that, and at the end of a certain period, the old rate of 5 percent jumps to 8 percent, you've got a problem. This is not quite the same, but it's...
- Czaplicki: And the credit market was closed to them. They couldn't borrow anymore.
- Mandeville: Right, without the debt service provision, without the ability to pay it. Not an unreasonable stance.
- Czaplicki: To focus a little bit more on some of these mechanisms, I think part of the bond proceeds were actually going to pay the city. Because in step two, to fund the schools through the end of April, the city was going to raise \$225 million, although I think later this was raised to \$275 million. It would do this by selling tax anticipation warrants.
- Mandeville: That amount was roughly the amount of the short-term borrowing at the time.
- Czaplicki: Some of the bond money was then going to pay off the tax warrants. When money is taken and paid out is just being shifted in time.
- Mandeville: Yes, but obviously if you borrow long-term, you get a whole lot of money upfront to do those things, and you pay for it across time. Sort of like the feds now.
- Czaplicki: Did this solution here envision the Financial Control Board and the separate School Finance Authority, or was it just strictly, Hey, we need some way to have a dedicated revenue stream?
- Mandeville: It was just an idea. If you do this, you've got enough money to finance the bonds that have to sell. If you don't do this, you've got to find that money. While you may tag Chicago with \$250 million or so one time, you're not going to have them pay that every year, because it's not their problem, although the school district is the same as the city in terms of geographic area.
- Czaplicki: Do you know where the idea came from to put this revenue stream under the Financial Control Board and the School Finance Authority?
- Mandeville: I don't know. We didn't think that up. We did financial analysis. Somebody, apparently, didn't believe that the school district should be left alone on this, and thought that they need some help from someone else. Again, I was not involved in that, so I don't know.
- Czaplicki: This board was given total authority over school spending. I was wondering if this total authority included responsibility for preparing the school budget, or if it was just given similar powers to the governor, reduction powers or line item powers or—

Mandeville: I don't know. Does this still exist?

Czaplicki: I don't think so. There were several other reforms that came later, and I think it might have changed, but I would need to look into that. I'm curious about this from the standpoint of the bond agencies. There are obvious problems in school finances, which you've outlined nicely. It seems that this immediate problem is getting access to credit again.

Mandeville: Say that again? The immediate problem is?

Czaplicki: Getting access to credit restored.

Mandeville: Access, okay. I thought you said taxes. (laughs)

Czaplicki: Getting the bond rating agencies to say, "Oh, okay, we sign off on this solution."

Mandeville: Incidentally, that was not a problem once you get the debt service source.

Czaplicki: This is what I'm interested in, because the plan still doesn't provide a long-term revenue source. You're fixing the immediate problem. You're giving this upfront infusion of cash so you could do some debt service and pay some things off, but you're not really addressing the underlying revenue issue. Why did the bond agencies buy into this scheme? Because ultimately they do, they go along with this.

Mandeville: You can go to the rating agencies and tell them you want to issue bonds, and here's a source of the debt service, and it's viable, it's enough and it grows every year, or could grow every year—fifty cents out of an assessment will grow if the assessment grows. If you tell them you have the debt service capability through this source here, which will finance whatever amount of bonds you're selling, and you say that you now have an authority that will have control—and I'm guessing, I don't know what their powers were—over the operation of the school district, they'll buy it. We had a \$300 million hole in 1981 when we went to the rating agency, which I mentioned in a previous session. On the way up, the governor said, "I'll tell them I'm not going to raise taxes." I said, "No, tell them you will if you have to. You will solve the problem, whatever you have to do." I assume that they were banking on the Finance Authority to keep spending under control. Do you know if there were subsequent layoffs?

Czaplicki: That was sort of the next step in this. It seems really what's happening, and I'm just curious if you share this assessment, if you pull this money out, then what you're really left with, the real long-range reform, isn't any new

revenue. It's going to be cuts. You're going to reduce your operating expenses.

Mandeville: I think you have to look at what happens if a school district lowers their tax rate. Or, to state it another way, you could, by law, have the rate go back up. This took legislation, obviously. But let's say you took the fifty cents out. Nothing would prevent the General Assembly from allowing the rate to go back to \$2.11.

Czaplicki: But you'd still have fifty cents in this dedicated fund.

Mandeville: And I'm thinking that the general state aid formula awards taxing effort. So your point, it would work the opposite way. If they lower the tax, it means they're not making enough effort locally to warrant more state aid. They would have to get this back up to the limit. At the time, \$2.11.

Czaplicki: Thank you for pointing that out. I'll have to look into this. Initially, the plan envisions cutting the school budget by up to \$500 million. The school board president initially plans \$166 million dollars in cuts over twenty months—\$60 million by the end of fiscal year 1980, and then an additional \$106 million for 1981. At least two thousand teachers and staff were to be cut by August, and thirty-five schools would be closed. Any idea of where the \$500 million figure was coming from?

Mandeville: I don't know.

Czaplicki: I don't know if it was trying to replace that revenue or something else.

Mandeville: What was the amount of bonds that they sold?

Czaplicki: They wanted to sell \$500 million. So it seemed that they paralleled each other. It got raised a little bit later. Van Gorkom said the interest cost was higher than they expected, so ultimately it ended up being about \$600 million. But the plan initially was \$500 million.

Mandeville: Yeah, unfortunately, in that time period, '80, '81, the end of the Carter administration, the tall guy who was Federal Reserve, Paul Volcker, had interest rates up in double-digits. And these were tax-free bonds issued by the state, federal tax-free. Bad time to sell, yeah.

Czaplicki: At the time, there was some criticism of the deal that was struck. The deal might have shored up the finances, but was it good for democracy, the way the plan got made? In terms of who got invited to the summit? Several legislators—Ald. Clifford Kelley, State Sen. Richard Newhouse—complained that the majority of children in the system were black, but there were actually very few black leaders represented at the summit. Milton Rakove, UIC

political science professor, his analysis of the plan was that there was a choice to either raise taxes or issue debt. He felt the reason why taxes weren't raised is because the school system had a weak constituency. That if you look at the majority of people who were in the system, many of them are poor black or Latino parents who don't own property and don't really pay property taxes directly. They only do it through their rents. So, ultimately, policymakers were concerned with property holders, and that's why they came up with a solution where the property tax didn't get changed. Is that a fair criticism of the deal?

Mandeville: That's not why that was changed. That was changed for one purpose only, to provide money for debt service. The only reason that Larry suggested it. The other factors, I don't know, but this was only done to plant an idea of how you can get the money for debt service when you go to the bond rating agencies. You needed the money for debt service to get out of the short-term borrowing, and this was a way to do it. I don't know the rest of it. Newhouse is black, and he was one of the fairly prominent senators at the time.

Czaplicki: I guess I'm wondering, once this mechanism is devised, couldn't there have been one that said, Let's leave this at \$2.11, and let's issue another tax? Or raise the tax? Or give this School Finance Authority its own taxing powers, and it will raise an extra fifty-cent levy? Why isn't that on the table?

Mandeville: It might have been. I didn't hear that. In fact, I heard of no idea until this came up. They did not have an idea how to solve the problem. They may float something, like some of the things you've said, and people would say, "No, we can't do that." They frankly didn't have a solution, in my mind, until this came up, and then they all dove on this. It might have been easier for them to explain, or easier to get passed by the General Assembly, because you were taking part of a taxing power from an entity and using it for something that they needed. I don't know that part of it. I just know that the idea originated from Larry and was followed through in the end.

Czaplicki: A key piece of the deal, in addition to this, was getting Chicago, getting the city, to take on some of the debt burden responsibility, this \$225 million, or \$275 million, whatever it ended up being.

Mandeville: It was the loan?

Czaplicki: The short-term debt to get through April. That was Chicago's piece. That was the tax anticipation certificates.

Mandeville: That's what gave them the money, but was the \$250 million a loan? I don't recall that. They eventually were repaid, right?

Czaplicki: Right.

Mandeville: Out of the bond proceeds. So they must have anticipated being repaid.

Czaplicki: But apparently, the city didn't really want to go along with this. Thompson really had to twist their arms. I'm wondering if you have memories of that or were privy to those discussions.¹²²

Mandeville: I don't, no. That must have been out of the room. We were there only for the analytical part, and we didn't stay for much. We were there only a few hours.

Czaplicki: Who else would have been involved from the administration besides yourself and the governor?

Mandeville: I think they were mainly outside stakeholders, as I recall. Maybe in '80, '81.

Czaplicki: Would Fletcher have been there?

Mandeville: Was he still with him then? Either Fletcher or Quern probably would have been there. If they could have affected a political solution, we wouldn't have been called. I'm not quite sure why we were called, but he wanted some new ideas. They weren't getting anywhere, the way I viewed it. They were not moving toward a solution.

Czaplicki: Do you remember what time this happened? Did you get a call in the middle of the night? Was it dramatic?

Mandeville: Middle of the night, no. That was only in the Air Force, where we were sent overseas at four o'clock in the morning. "Be out here in an hour. We're going to England." No, I didn't get that. It was during the day when they went there. I do remember the guy sitting on the couch, though. These were high-powered, high-paid people who could not come up with a solution. Larry was probably making forty, fifty thousand a year.

Czaplicki: So the moment of truth arrives in April. They need to sell their first bonds. CPS is expecting an \$85 million deficit in May and another \$92 million in June, so schools would shut down if they couldn't do a bond. The School Finance Authority planned to sell \$220 million. April twenty-first, Standard and Poor's gave a pretty high rating. They gave a double-A-minus to the bonds, which I guess is the third-best rating.

Mandeville: That is good.

Czaplicki: Was this the real end to the crisis?

¹²² For another account of the summit, see Jim Edgar, interview by Mark DePue, June 10, 2009, Volume II, 308-314.

- Mandeville: It's the end to the crisis of not selling bonds. It allowed them to sell bonds. I would say that's the way Standard and Poor's and Moody's treated us. If we had a rationale for what we were doing, and a proven revenue source, we would get a high rating. We continued to get high ratings. Because when we had a problem, we didn't hide it. We went right to the rating agency and said, "We've got a three-hundred-million-dollar problem, and we're going to try to cut spending. But if we can't cut spending, we're going to raise taxes." They said okay, and we got our high rating. If you try to fool them, you're going to be in trouble, because they know what's going on. And they know what other states are doing, and they can compare you with other states.
- Czaplicki: Was there any discussion of what would happen if the bond agencies didn't like the proposal?
- Mandeville: You mean in this case?
- Czaplicki: What if the rating had come in really low, or what if they couldn't sell the bonds? Were there any contingency plans?
- Mandeville: Not that I know of. But I would not have been worried about that. This gave them all they needed for the rating agencies to give a—what do you call it? There's some term when it's A or higher, or double-B higher. A-bondable. That's not the word, but it means the bonds are solid. This was enough to give them a solid rating, whether it be A or A-minus or double-A-minus. I would have been surprised if it had not been at least an A.
- Czaplicki: Talk about bonds a little bit more. How does bond bidding work? It sounds like you did a lot of lobbying. You were making these trips and you were going to financial centers to talk to people.
- Mandeville: Not a lot. Maybe one a year. Or less.
- Czaplicki: How do you assess the market for bonds? Assess willingness to buy, if you want to float so much, that there will be a willing amount of buyers out there?
- Mandeville: First of all, you're going to pay market rates. If it's 11 percent, you're going to pay 11 percent. If it's 2 percent, you're going to pay 2 percent. You're going to pay market rates at the time you sell the bonds. The only other factor that matters is the perception, and perhaps the reality, of the fiscal strength of the entity selling the bonds. The state of Illinois, up until Blagojevich, had a good perception, and I think reality, on the part of the rating agencies—Moody's and Standard and Poor's. Certainly during the Thompson years, the fourteen years, when we said we were going to do something, we did it, and they knew that we would do it, or they thought that we would do it. They felt comfortable with us.

When we went to New York to the rating agencies, we also held a breakfast for all the potential buyers. I'm trying to think of the name of the one guy. Big company. It would be the large investment firms, the Merrill Lynchs. We would hold a breakfast for their bond analysts, and we'd present the program. I would give the financial status of the state and the projections, and then they would say, "Okay, we believe you" or "We don't believe you." In this case, they always believed us, and we did deliver, and that was the key. It's one advantage of being there for a long time. You either get a terrible reputation (laughs) or a good one.

You may go down in financial strength, but as long as you go to where you said you were going to go, they feel—what they want is control and certainty. They don't want uncertainty. It's like the stock market. If you give the stock market uncertainty, the underlying facts can be solid, but they'll still go down. They want certainty, and so do the rating agencies. Because their reputation is on the line. If they give us a triple-A and we go broke the next day, they're done for; they're ruined. So they have to look out for their own reputation. And they're very good at it. They ask the right questions. If the governor gives the right answers, he will get the high rating.

Czaplicki: Would you just have these breakfasts at a hotel ballroom or something?

Mandeville: No, it would normally be at one of the investment firms. They would let us use their place, and it would be—

Czaplicki: So it was always a formal presentation? It wasn't informal discussion?

Mandeville: It was informal too. Question and answers. We would present, but we wouldn't have a long presentation. They could ask any question they wanted to ask, and we would respond.

Czaplicki: What kinds of things would the bond houses be asking you? What would they be looking at when they're trying to assess the state's fiscal health?

Mandeville: What's your revenue and spending looking like this year? Or, is spending higher than revenues? If so, what are you going to do about it? Is there a weakness in revenues? Remember, the time you're talking about was the recession. The following year, '81, was a recession period. We said, "Well, yeah, revenues have weakened, and we're \$300 million lower than what we thought. But here's our solution." You had to have a solution that was credible, or you would be downgraded, and we had a solution that was credible. "We're going to try to cut spending. If we don't, we're going to raise taxes. And here's what our projected ending balance is." And we had to be pretty close.

Czaplicki: This June thirtieth balance that you mentioned before, that was important to them? The cash balance?

Mandeville: That was in the first year. That wasn't '81. But the same thing would apply for '81. If we said, "Oh, we're going to have \$500 million," and we ended up with \$80 million, we'd be in big trouble. If we said \$80 million and ended up in eighty, okay.

Czaplicki: Were they generally more concerned about the general funds, or were they looking at the total budget?

Mandeville: They only cared about the general fund. Why? Because the general funds financed the bonds.

Czaplicki: So these are general obligation bonds?

Mandeville: Yeah. Now, some of the GO bonds—and this would be a factor, I'm sure—were for highways, and that would be financed by the road fund. So they were interested in the road fund, which was the second-largest fund. They knew that the road fund was primarily financed with federal aid. Ninety-ten federal-state on the interstate, and I think later, on the interstate improvements. Fifty-fifty on state roads that were not interstate. There's a major player in the federal government, so they probably knew something about what was happening in the federal level too, and so did we. But generally, we want to sell revenue bonds for highway construction, and we would call a typical bond issue Transportation Series A. Then we might have a Mental Health Series A. We'd have different categories within the GO issue, and this part would be separately financed by the road fund. Almost everything else would be general fund. That's the GO bonds. We also had revenue bonds. Build Illinois was not a GO bond, it was a revenue bond.

Czaplicki: I have a question for that down the road.

Mandeville: But general revenue financed the [Build Illinois] revenue bonds. We took a share of the sales tax, I think the cigarette tax, and maybe something else, and that provided sufficient debt service for the bonds through the life of the bonds.

Now, prior to the new constitution and the strong executive powers, the IBA, Illinois Building Authority, issued bonds. They had bonds outstanding into which the debt service amount was higher than needed for the future retirement of all the bonds, the IBA bonds. I hired an accountant, a CPA, to come in and work out the numbers. It turned out that we could probably bid a defeasance of the bonds. It's not a dirty word. It means put enough money into buying federal securities that come due at the time the debt service is due on the IBA bonds. In other words, buy bonds that mature in—if it were done

today, 2014, 2015, 2016—in sufficient amounts that you needed to retire the bonds as they matured. That's called defeasance. On that, we did two things. We freed up \$20 million in the reserve fund, the debt service fund, for transfer to the general fund, and all of the IBA bonds became triple-A. They were A before, because they were revenue bonds. My point is, we got rid of a lot of bonds that were very close to GO bonds.

Czaplicki: Does that work because the federal bonds that you're buying have a higher...

Mandeville: No. It works because they had too much in the sinking fund. You could project the amount of revenue and the timing when it was needed—let's say once a year, twice a year—to retire all the bonds as they came due. You bought federal securities, bonds and notes and bills, that came due on those dates, in those amounts, for the life of the bonds. They had \$100 million, a hundred and some million, in the sinking fund. You could buy the federal bonds for \$80 million. We bid it, and the low bidder provided all the money to buy all the federal bonds. Then we gave them the \$80 million. That's what they bid. The \$20 million or so that was freed up, I sent a memo to Thompson saying it was a birthday present. This is money we didn't have before, and now you can spend it any way you want. But don't spend it—

Czaplicki: Because they mature at a higher amount than what you bought them for?

Mandeville: No. No.

Czaplicki: You're not paying the exact amount. Are you?

Mandeville: No. You have an outstanding loan on your house, and it's \$50,000. You've built up, over the years, a debt service amount. Individuals wouldn't actually do this, but the house analogy may be easier to understand. You put in too much every month into the debt service fund. You have a debt service fund total of \$60,000. You could, if you chose, take \$50,000 that comes due over the next ten years and buy federal securities. It doesn't matter what the interest rates are. You buy \$50,000 that come due when the bonds come due, and then you can free up \$10,000. What happened here is the IBA was over-assessing the debt service on the bonds they had, so they built up a sinking fund that was twenty-some million too high. I have a letter in here that I sent to Thompson, a memo, explaining that. He didn't know we were doing it.

Czaplicki: So this was just the procedure you had to follow to get access to that? You couldn't just sweep.

Mandeville: No, we couldn't sweep it. The bonds had to be totally defeased. Once they are totally defeased with federal securities, they become triple-A. It's like having them insured. But my only point to bring it up is that, therefore, there was a

smaller amount of bonds outstanding to the state. That gave us some room to issue additional bonds.

Czaplicki: Got it. Back to this idea of the bond market, and when you're out there drumming up buyers.

Mandeville: We didn't really have to do that. They came to us.

Czaplicki: But how did you decide where to go? A lot of times, it seems you go to New York, but then I think a couple times you went to California instead.

Mandeville: San Francisco was a major finance center.

Czaplicki: But you wouldn't always go to both, right?

Mandeville: No, we wouldn't go anywhere unless it was a new program, like Build Illinois. The people would come to us to bid. Like the Illinois College bonds. Might not be the right term, but they were the college bonds. We had people knocking the door down to buy them. The GO bonds always sold out quickly. You would say, "Okay, we need three hundred million dollars. We're going to sell bonds. What do you bid to sell these bonds for us?" They'd go to an investment firm, like Merrill Lynch. Merrill Lynch would bid, First Chicago would bid, others would bid. We'd take the low, credible bid, and then they would take the bonds and sell them to others. They were always sold out within the first day or two. Illinois had a good reputation on their bonds. Since they were sold at market rates, they were perceived as being secure, so people would buy them.

Czaplicki: The school financial crisis shows one way that the bond rating agencies can be really powerful. Because when they make that decision—we're drawing a line here—the credit is cut off effectively. You mentioned Governor Thompson being very worried about that \$300 million shortfall. I think you mentioned that earlier.

Mandeville: He wasn't worried. What do you mean? He wasn't worried about it.

Czaplicki: I thought his words were, "What am I going to tell them?" I thought that was his quote.

Mandeville: No, he said he was going to tell them that he would never raise taxes. We said, "Governor, don't do that. Tell them you'll raise taxes if you have to." That was on the way up to New York. Of course, being Thompson, he went into the rating agencies and performed brilliantly. Not only did he cover that area, but he, as I mentioned earlier, embellished on it.

Czaplicki: But they're clearly an institutional actor that people are thinking about a lot, thinking about perception and how they're going to be evaluating financial decisions at the state level.

Mandeville: You mean the rating agencies?

Czaplicki: Yes.

Mandeville: Yeah, sure.

Czaplicki: In practical terms, though, to try to get that down to an amount, what does going from a triple-A to a double-A rating actually mean, effectively?

Mandeville: You mean going down to a double-A?

Czaplicki: Mm-hmm. Dropping a step.

Mandeville: Not a whole lot. The term I was thinking of was investment grade. When you get below investment grade, it's a big difference. I think that's probably below a double-B. I'm not sure of that either, but somewhere in that area. You want at least investment grade by the rating agencies. I think with a strong issuer, double-A or triple-A is not that different. Now, if you went a second step, to a single-A, then you've got a trend, and then you've got a problem. For example, a triple-A, you don't need any amount higher, but a double-A, they will say minus or plus. They have a technical term for it. Double-A-minus, double-A-plus. That means that it looks like it's going to get better, or it looks like it might get worse. If you went from a double-A, with no designation of plus or a minus, and then you drop to an A, you might very well have an A-minus. Or you may drop to a double-A-minus first, and then down to an A. You don't want to do it twice. Standard and Poor's has downgraded the US for the first time twice.¹²³

Czaplicki: But practically, does that mean 1 percent, 3 percent more on bonds? How much more does the interest change?

Mandeville: The market will determine that, but it depends. I'd rather go to a percentage of a normal interest rate than a percent, because 1 percent on a normal marketplace of 10 percent is quite different than 1 percent on a market rate of 5 percent. So go to a percentage, like 20 percent of the... I don't know. I know that, over time, the analysts say it will have a negative effect on the amount you pay. You can still sell your bonds, but you pay a higher interest

¹²³ Standard and Poor's downgraded the U.S. from AAA to AA+ in August 2011, following the crisis over raising the federal debt ceiling. This was the first and only time Standard and Poor's had ever downgraded the U.S., and it was a highly controversial decision. The other two big three firms, Moody's and Fitch Group, did not lower their rating. Mandeville may be thinking of Standard and Poor's prior decision to change the rating outlook to negative.

rate. One percent, half a percent. But when you're dealing with \$300 million, as Everett Dirksen said, it becomes a sizable amount of money that you're dealing with. You don't want to pay that extra amount if you don't have to.

Czaplicki: What determined the timing of these meetings? Would you only visit them when you were about to issue?

Mandeville: Yeah. Unless there was a major event. Build Illinois, we would call for a special meeting. Otherwise, we have to go to them before we sell bonds, because they have to give us a rating or we don't sell bonds. We can't use last time's rating, like two years ago. The investors want to know what's your rating today. So we had to go to the rating agencies shortly before we sold bonds. It may have been a month before, a week before. We had to give them time to review it and to issue a rating. So I'd say probably a month before, we'd go up. Build Illinois, we may say, "Look, we've got this new program. We've got a revenue source that will finance it. We want to come talk to you." We'd go to New York; we'd talk to Moody's and Standard and Poor's, and also the investors, the major investment firms. Then we'd go to Chicago, maybe San Francisco, on a new issue.

Czaplicki: Did you ever need to bring in outside insurers on any of the bonds, or just get your rating?

Mandeville: I don't think we ever insured a bond. Corporations will. In my investment, I buy Bank of India, Bank of China, GE bonds, and I say, "Now, wait a minute. Bank of India? What do I know about India?" I know that if 5 percent of their people bought our products, that's fifty million people. We should sell to the 5 percent. But she says, "Well, they're all insured at triple-A." So they're all triple-A. I say, "Okay, I'll take that on faith." (laughs) What I'm hearing a lot, Bank of China is not necessarily good right now, the Chinese economy. But they're like us. They're capitalist to the extent that they can't default on bonds, nor can the US.

Czaplicki: I was just curious about the insurance issue, if there were other potential costs, but the state didn't ever have to do that?

Mandeville: I don't think we ever did that. I know the IBA didn't, because they were A-rated, and when we defeased them they went to triple-A and went off our books; they weren't there anymore. I don't think we did. I think the full faith and credit of the state. But if it were a non-GO bond, then I think you have a different issue. You might have to insure it to get a better price, and then you weigh the cost of the insurance versus the lowering of the interest rate, and make your choice.

Czaplicki: You've mentioned this one several times already, but usually when you think of the Thompson administration and bonds, you think of Build Illinois.

Mandeville: That was a major highway program.

Czaplicki: The governor proposed \$2.3 billion in new bonding authority in 1985. The state of the state speech, I believe.¹²⁴ There were two components. One part would go to fund public works. The other part was going to fund housing projects around the state. There were two different revenue streams. The first revenue stream, \$1.3 billion in bonds for public works and education programs, would be backed by a new 5 percent tax on the private sale of used cars. I understand the projections for that were somewhat difficult, because the General Assembly was saying \$100 million would be raised per year, but the executive estimate was about \$70 million. I saw quotes from you in the press where you said it's really hard to know what it will be.

Mandeville: On used cars? I don't recall that, but I probably did.

Czaplicki: I was going to ask you, what were you doing to project the amounts to get that, or if you were involved with that?

Mandeville: I assume we had data on the number of used cars sold in Illinois.

Czaplicki: So title transfers? Would that be how you would evaluate that? Because it was private sales of used cars. It wasn't commercial sales of used cars.

Mandeville: Oh, private sales.

Czaplicki: I think you were only taxing the selling of cars between individuals.

Mandeville: Yeah, then title transfers would work, except that if you sold to a family member, it was fifteen bucks in those days. It's more now. I don't know. To me, seventy and a hundred are not far apart, if the seventy finances it. If it doesn't, then you've got to look somewhere else.

Czaplicki: In actuality—at least for the first four months or so—only about \$4 million came in. Did that tax ultimately meet its targets, or was it underestimated?

Mandeville: I don't know. I'm not even sure (coughs) I knew specifically what their estimates were.

Czaplicki: The other revenue stream was \$1 billion in bonds to fund Illinois Housing Development Authority mortgages, which would subsidize affordable housing projects. These were projects all over the state. Apparently Governor Thompson was concerned that rural areas were seeing population upswings and needed housing. These bonds would be paid back by residents of the

¹²⁴ See Jim Reilly, interview by Mark DePue, August 11, 2009, 41-43; Greg Baise, interview by Mark DePue, August 19, 2013. [Placeholder for JRT's discussion of Build Illinois(?)]

units. The IHDA used the state's credit rating. How long was this plan in the works? What was the planning cycle like for Build Illinois?

Mandeville: I don't really know. Months, I'm sure, but I don't recall when it started. I know that, before we sold, we visited the financial centers. I was on another board at the time, so I flew out with the governor to San Francisco, and then I left him and went on down to LA, to my meeting. A group of priests, the Passionists priests in Chicago, out on Highway 90 in Harlem, I was on their board for four years. They had a meeting by the Rose Bowl. What's the name of it? Begins with a "B."

Czaplicki: Berkeley?

Mandeville: Berkeley. Maybe that was it. I had to go down there for a meeting, so I just left them and went down there. (pages turning) Here we are. That was the year, 1989, of the earthquake.

Czaplicki: Oh, right, I remember you mentioning that before.

Mandeville: We saw where they had layers of highway. They were all together, flattened out.

Czaplicki: Pancaked. Yeah, those pictures were awful.

Mandeville: Yeah. Terrible. There was one place I went to where you could walk into the second story from ground level. Of course, San Francisco had a lot of hills. This was one of the places we went. This is that defeasance memo I sent to Thompson.

Czaplicki: Oh, you have a copy of the memo from May 3, 1984. Memo for the governor: Net defeasance of Illinois Building Authority, IBA bonds. You explain what you did. "You should consider this twenty-one million dollars as a birthday present. Happy birthday." (laughter)

Mandeville: He was happy to get it. By then, I told him he should spend it on one-time expenditures, or build up the available balance, which he probably didn't do.

Czaplicki: Were there other revenue options that you considered when you were putting Build Illinois together? How did you settle on these two? A used car tax, that's an interesting idea. I understand thirty-three other states had one and Illinois didn't, but just curious, in general, how you picked between your options and decided that something would serve as a useful revenue source.

Mandeville: I frankly don't remember that that was a source. I thought it was sales tax, which I guess, in a sense, would be the 5 percent. But I thought we took a share of the sales tax, the way we measured it. You probably could not sell the

bonds with that revenue source. It's too uncertain, especially if there's a difference in the revenue estimating. I think instead, they equated that to a percent of the sales tax and used that, as I recall.

Czaplicki: Right. When the proposals were written up, they were described as limited obligation bonds, because they were backed by an earmarked revenue source, which was ostensibly this used car tax. But in reality, the bonds were actually secured by payments from sales tax revenues out of the general fund.

Mandeville: As a certain percent. That made it a viable sale.

Czaplicki: Then revenue from the used car tax would go into the general fund to replace the sales tax revenue.

Mandeville: Theoretically, they equaled.

Czaplicki: Theoretically, they would equal. Why wouldn't you just consider them a general obligation bond, a GO bond?

Mandeville: I think they were, and they were treated like a GO bond because of the sales tax. If you used either the income tax or sales tax as your debt service source, they are, in effect, GO bonds.

Czaplicki: So just the nomenclature maybe.

Mandeville: Because that sales tax percent was independent of what happened with the used car sales.

Czaplicki: Right. So presumably, if the car tax came in too low...

Mandeville: It didn't matter as far as the rating agencies were concerned. I think if we had gone to them with only the used car tax, we probably would have gotten a lower rating. It would have been considered a revenue bond of questionable source. Not questionable, but uncertain as to the magnitude of the revenue.

Czaplicki: Is calling them a limited obligation bond just more of a political move for the public?

Mandeville: I don't know.

Czaplicki: To say, "Hey, we're not really putting general revenue on the line. It's limited obligation." In effect, it is a GO bond.

Mandeville: It is, in effect, a GO bond. To me, limited obligation means that we are limiting the amount of the general fund that we will use to finance this. That is important. You can't have an open-ended access to a major revenue source

like the sales tax. If you limit it to x amount and you don't exceed that, and you can argue successfully that the rest of their sales tax was enough to finance government, you'll be okay. But if you can't, any amount taken from one of those two major sources puts a question mark on the revenue side.

Czaplicki: How significant were the 1970 constitutional changes on the state's ability to sell bonds? Because prior to the constitution, you needed the approval of the voters to issue general obligation bonds.

Mandeville: We didn't have GO bond ability before. We didn't have GO bonds, so they created authorities to issue revenue bonds, which, in effect, were almost the same as GO bonds but did not have the legal definition.

Czaplicki: I thought the state could, but only if the voters approved it. So effectively, you couldn't.

Mandeville: You couldn't. (laughter) That's like asking, should the governor get a pay increase? What do you think the answer would be? I think it really opened up a more reasonable, less costly way of selling the same bonds for the same purpose. The Illinois Building Authority sold bonds for building buildings and building highways. Well, I'm not sure about highways, but building buildings. Typically, they were prisons. Toward the Thompson administration, it was prisons and education buildings. For education, we would require the university to use the university income fund, if they had one with any balance, to help finance the debt for buildings that they built. In fact, they would have to finance the whole thing if they had enough in their income fund. If not, then the state GO bonds would help out.

Czaplicki: How important were these bonds as revenue sources during the Thompson administration as a whole?

Mandeville: You mean the access to the bonds? Very important. I think the state has to continually have a highway program. Reasonably, they have to have some sort of a building bond issue for buildings in the various state agencies, especially if you have an increasing prison population. You have to put them somewhere, or, like happened in Alabama, they will tell you to open the doors and let them out.¹²⁵ So you need them. If you're going to have a truth in sentencing law, where they have to serve at least 85 percent given a certain crime—maybe Class X—you have to build buildings.

The problem that I saw, Ryan was the last one that issued—I think it was

¹²⁵ In 1981, with over 1,400 state prisoners held in county jails rather than state prisons, federal judge Robert Varner ordered them removed by September 1. Citing serious overcrowding as cruel and unusual punishment, the judge also ordered the release of 337 inmates. "Alabama Prosecutor Warns of Second Mass Release," *Gainesville Sun*, July 27, 1981.

Illinois FIRST—a bond issue for highways.¹²⁶ All through the Blagojevich administration, he used Ryan’s program to do what he did with highways. He never issued a highway program, to my knowledge. Quinn is now trying to get one, and it’s really past due. Should have been out there long ago, because it takes a long time from the idea of new highway construction to the execution of the thing, actually pouring the concrete. So you need to have people who think ahead... Right now, they’re talking about so many bridges are unsafe. You know what happened in Minneapolis on I-35. Presumably, that could happen in Illinois, if they’re right about the bridges. We ought to have a program, within reason, that addresses the worst bridges. Typically it should be bonded for the length of time that they think the new bridge will last—twenty-five years is not unreasonable. They ought to be doing that now. I think Quinn is trying to. I don’t know if he got it through or not. But if they don’t, they’re going to have a serious problem one of these days.

Czaplicki: How do you decide when you should sell GO bonds and when you should just raise taxes? Where is that line for you?

Mandeville: Raise taxes?

Czaplicki: If you have a choice of revenue instruments. Is one better for some types of programs than for others?

Mandeville: It is rational to sell bonds for something that will last the life of the bonds, and to pay it off across time, especially if you can get relatively low rates, which, with a triple-A, you can get the lowest rates that are available. Today, you can get very low rates, even for thirty years. What is it, 3.5 percent? Thirty-year Treasury bonds, which are probably perceived as being the most secure you can buy. Taxes are an entirely different issue. One, it’s probably easier to get the authority from the General Assembly to issue bonds—and they have to give the authority or you can’t issue bonds—than it is to get them to raise taxes. That’s one consideration, a practical consideration.

From a program view, I think it is preferable to issue bonds for things that will last the life of the bonds, and pay them off across time. That forces you to look at the spending side, at least by the amount of the debt service that you don’t have anymore, because you’re using it for bonds. But you should never sell bonds, long-term bonds, for current operating expense. The problem is that the proceeds of the bonds are gone long before they’re paid off. That’s what Blagojevich did. Of the ten billion, he gave x amount to pay for the state’s share of pensions, at least in one year.

¹²⁶ The Fund for Infrastructure, Roads, Schools & Transit was a program approved by the Illinois legislature in 1999, which raised \$6.3 billion in new revenues to secure the sale of bonds for transportation and school projects. Neighborhood Capital Budget Group, “Illinois FIRST,” http://www.ncbg.org/public_works/illfirst.htm.

Czaplicki: In 2003.

Mandeville: You and your kids, and my kids, and my grandkids, will be paying for that for twenty-five years. The money is gone; there's nothing you can look at that's tangible. We sold our bonds to build this highway, and now, years later, you still have a good highway or you still have a new building at the university. That would be my take on it; it is better to sell bonds for things that bonds should be sold for, and force the state into considering what they do to make up the debt service. If that means raising the sales tax or income tax, that's raising taxes, so you're doing both. But that's okay if the bonds are needed. I think, right now, the bonds are needed in the highway area, and I hope Quinn gets it through before someone falls through a bridge. You haven't driven around Springfield, right? It's probably the same in Chicago.

Czaplicki: Just a couple times.

Mandeville: Potholes are *terrible*. I mean, they're big. (laughs)

Czaplicki: Bumper crop. Lake Shore Drive is riddled. I don't have my car anymore, so I drive a lot less. Oftentimes when we think of Ogilvie, we think he's really significant for bringing on-line the income tax and benefitting from that surge in income tax revenue. Would bonds bear that same relationship to the Thompson administration? Because the amount of bonded debt we have goes up significantly. Nineteen seventy-five, the GO debt was \$969 billion. By 1985, that had gone up to \$3.3 billion. It really seemed like...

Mandeville: How much was issued per year, though?

Czaplicki: I don't have that figure.

Mandeville: Walker issued bonds. Ogilvie issued bonds. If you talk about just dollars, I'd have to know the percent relative to something else, because ten years later, \$300 million becomes \$400 million, in relative terms. No, I don't think it's the same thing at all. Ogilvie did not benefit from the income tax. He probably lost an election because of it. The state benefitted by giving more to education and more to mental health. I think Ogilvie was courageous in going for the income tax, maybe politically unwise, because it probably cost him the election. That, and the IEA not supporting him, and the head of EPA issuing a no-leaf burning a week before the election. (laughs) It was a very close race, by the way, between the two. Ogilvie was a great governor. He should have been governor longer.

Czaplicki: Bonds can also be a source of pinstripe patronage because they have to be underwritten. So certain firms get to do this legal work to actually get the bonds out there.

Mandeville: Yeah, I think so. But there's a real financial issue here too. They don't do it just for that reason. They've got to make money on it. So they sell the bonds higher than they paid for them.

Czaplicki: Were there ever any proposals to cut that out? Is that step necessary?

Mandeville: Mm-hmm. We don't have the ability to sell bonds. Plus, I don't think you want the political system selling bonds directly.

Czaplicki: Why not?

Mandeville: There might be some favoritism, possibly. I think you want an independent investment firm to do two things. They have all the connections. They have clients that are waiting to buy the bonds, especially in the eighties, when interest was high. They're good bonds. They're from a secure source. Secondly, you want them to take the risk. They are taking a risk when they bid, or we think they are. Because there are a number of bids, the low credible bid that doesn't violate the bid specs is taking a risk that they can sell them at a higher price than they paid for them. Let's say they bid 5 percent. If they can sell them at 5.5, 5.75, they make a lot of money, simply because the size of the issue, \$300 million. But if the demand drops off and they sell them at 4.75, they lose. So they are taking a risk. The state should not take that risk. They should let the investment firms take it, and they're willing to take it for a profit. But the real reason is we don't have the ability, and we shouldn't be selling bonds directly to customers.

Czaplicki: In terms of the timing of Build Illinois, I thought Dan Egler in the *Tribune* made an astute observation. He argued that Build Illinois was a real symbol, a result of Reagan's fiscal policies, the new federalism, where more and more responsibility for funding large public works got shifted to the states. Would you agree with that assessment? Would that be a good way to look at this at this time?

Mandeville: I don't think so. I wouldn't view it that way. We always had the obligation to do this. The feds never built mental health facilities or prisons unless they gave us a grant, which was unusual. I'm not sure I ever heard of them doing that. They do participate heavily in the highway program, but they always have. I don't see that connection myself.

Czaplicki: What was the impact of Reagan's fiscal policies in Illinois generally? Early in his term, the governor went to Washington several times and was meeting with Reagan officials and Congress, and often lobbying, as he put it, to modify programs. And he had come up with counter-proposals to try to keep some share of federal—

Mandeville: That was 1980 and '81, right?

Czaplicki: Mm-hmm. Elected in '80, so '81. I think he went to Washington six times in the first half of '81.

Mandeville: I'm not sure I know. I think the revenue sharing came in earlier, in '75, I believe. Title XX came in even earlier than that. You could increase the scope of what applied for social services than you could before; you could use social services provided to prisoners, for example. You could broaden the base and receive Title XX funds.

Czaplicki: I guess there was a pretty significant cut in transportation aid. One area where the federal funds weren't quite what they had been. There was a lot of worry about that and how you replace that, so I thought—

Mandeville: I think in that area, we would simply build less. The state could not afford to pay 100 percent on interstate highways. We paid 10 percent. When it's 10 percent, you build a lot of highways. On the 50-50, you build, only if necessary, the state highways. Like Walker. He wanted to help Forgottonia out in the Quincy area, so early in his term, he built the bridges, the overpasses, but not the road that connected the two halves on either side of a highway that did not exist. He built all of the structure for the overpasses before he had any idea where he'd get the money for the highways. In that time, there was a bond issue, and it was called Transportation B, which was typically for mass transit, but I think it allowed him to begin to build the highway. It was still state, so it was 50-50. Because it was built to interstate standards, limited access, he kept trying to get Route 36 designated as an interstate. They kept saying there's not enough traffic. Well, eventually, it was; it's now I-72. But before, it was US-36. That wasn't really a cutback in federal funding. That was just a refusal to designate it an interstate until it had sufficient traffic load on it, and that didn't happen until later, until people discovered Forgottonia.

Czaplicki: That's a great phrase.

Mandeville: (laughs) He didn't have much of a sense of humor, but that was one that I thought was good.

Czaplicki: One last question about bonds. Back to the rating agencies. They're important economic actors. How important or useful are they politically?

Mandeville: The rating agencies? You mean to us?

Czaplicki: Yeah.

Mandeville: Oh, very important.

Czaplicki: As political actors.

Mandeville: I don't know if they're political actors, but they're important to us if they give us a triple-A. Because when people said—this might be Howie Carroll, for example—“Mandeville, we don't believe this stuff, this fiction in this book here. Why do you think you're right?” I said, “I don't care if I think I'm right or not. I don't care what you think. Go to the rating agencies. They are the independent evaluators. If they say I'm right, I'm right. If they say I'm wrong, then you're right.” You can use them in that sense. It isn't us doing the rating. It's an independent group that has their reputation, too. Claire Cohen, for example, was the lead lady in Moody's. She was very straight with us, and so were Standard and Poor's. If they thought we should be downgraded, they would have downgraded us.

Czaplicki: Yeah, and it would sometimes go in the other direction, too, it seems like. When Governor Thompson first took office, you often would appeal the other direction for your austerity policies. If you didn't do this, it would threaten the credit rating; you had to have this particular budget so you wouldn't get downgraded.

Mandeville: Same thing. Because it's all maintaining fiscal integrity of the state. If you can do that, either by cutting spending—by the way, spending was never cut, and probably never will be. You're always talking about how much is the growth in spending. It's like when I taught at Eastern Illinois one year as a visiting professor. They kept getting the deficit and the debt mixed up, and they said, “Clinton is cutting the debt.” I said, “No, Clinton is not cutting the debt. He's cutting the deficit. The debt will never be cut. You can mark my words there. As long as you live, the debt will never be lower than it is today. And tomorrow, if it goes up, it will never be lower than that.” We'll never pay off the debt. I hope we don't increase it. Because Milton Friedman said as long as the debt grows no faster than your economy, you're okay. So if we stop increasing the debt and let the economy catch up in terms of growth, the debt service will not grow faster than the economy. We're okay, then, according to Friedman. The problem is that the debt is too high now and they should cut it back, but they won't. It won't be cut back. We'll just limit the growth. And the same with programs. Programs are going up. Spending is going up every year. We're always talking about the size of the growth.

Czaplicki: So you remember your Friedman. When did you first read him?

Mandeville: Milton Friedman? Probably at St. Louis U in my master's program.

Czaplicki: I'm just struck that after all these years, it's still clear in your mind.

Mandeville: I had an economist professor who said, “When haircuts equal two dollars, I'm not going back to the barber shop.” But relatively, that was a lot in the late

sixties. That's one thing we have to remember. It's relative. This versus that, today, this versus that yesterday, and not dollar amount absolute and dollar amount. That doesn't compute. You've got to go relative to what people are earning. If you pay fifteen dollars for a haircut today—I go to a small shop; it's twelve dollars, and I give them a three-dollar tip. If you pay fifteen dollars today, that has to be relative to what your income is. Back in the sixties, when the economics professor was paying a buck fifty, that was relative to him making twenty thousand, or some much lower amount.

Czaplicki: Since we're on the subject of long-term obligations, and you had mentioned Blagojevich's bond issue to cover the pension payments, this might be a good point to bring pensions into our discussion. Obviously, there's a lot of debate about state pensions today, given the size of the unfunded liability and the debt the state's been taking on to make pension payments, and there's also a reform bill currently pending.

Mandeville: Another one.

Czaplicki: Which is subject to court challenge.

Mandeville: It's passed, but they're escrowing money, I believe.

Czaplicki: Right. There is some question as to whether or not it will be found constitutional. What was Governor Thompson's policy towards pension funding during his tenure? Did you have a target in mind of how much you would pay? Was there a statutory amount that you were supposed to be paying?

Mandeville: The second. The actuaries would compute based on the assumed earnings, which in those days was 8 percent.

Czaplicki: Would these be Department of Insurance actuaries?

Mandeville: No, outside. Outside actuaries would compute the calculations on what they needed to finance all the current employees and current retirees through a normal mortality table time. Then they would say, based on that, you owe the teachers retirement \$1.3 billion. That's the actuarial amount. If you agreed with the assumption of earnings, then 8 percent, over the long term, if it's largely equity, is not too bad, because the market, over the long term, has grown maybe 10 percent per year. If you agreed with that, then you should logically ask for the full amount. I think Thompson would have gone along with that.

There was at least one year when we did not. That was '81 again. We cut the pension by a hundred and some million—I forget the amount—and gave it to education. The alternative would have been to cut education \$100+ million.

What we did for that year, and to my knowledge, the only year, we kept enough money in the new contribution to meet payout for that year. So we switched from an actuarial calculation to a payout calculation. To my knowledge, we didn't continue that, but quite frankly, I don't remember all that happened after that. I think we went back to the actuarial level. Payout, theoretically, will work. The problem is, you have no contingency in the future when the payout becomes very large. You have to put more in now, with an assumed earning per year, to be guaranteed that you can make all of the payments. The 8 percent was obviously not achieved in '81, or in 2004, 2005, or in maybe some other years when the recession hit. The 8 percent wasn't achieved because they lost money, on paper, in the stock market. Your total amount did not go up, not nearly as much as you had thought it would go up. But that was, I think, accounted for by putting a reasonable long-term rate, like 8 percent.

Czaplicki: What if you didn't agree with the actuarial assumptions?

Mandeville: You could issue less. You could argue for less if you had a good reason for doing it. Let's say that they said the earnings would be 2 percent. Then we would say, "Wait a minute. It's going to be at least 8 percent. I want to recalculate that at 8 percent." I don't know if that issue ever came up. I would feel comfortable redoing it at a more consensus level of growth than a particular number that appeared to be way too low. Anything below 5 percent in those years would have been too low.

Czaplicki: Who would arbitrate that decision in theory? Would that be something you worked out with the actuaries, or would the General Assembly pick between the two sets of numbers?

Mandeville: No, we would work it out before we issued the budget. These numbers are issued in sufficient time for us to include them in the budget for the upcoming year. We would just put in the budget what we felt was the correct amount and explain why we did it. And that amount was normally what the actuaries calculated.

Czaplicki: Would the actuary numbers be included, too? If you wanted to go back historically and see the recommendations, would—

Mandeville: This is all theoretical, and I don't think we ever did this, but we would probably say something like, "We felt the actuarial assumption of 5 percent was too low. We believe 7 percent would be a more reasonable figure." The actual numbers? I think we had to include that, yeah, in a document somewhere. My guess is the retirement agencies, like state university

retirement, teachers retirement.¹²⁷ They would probably have to disclose what the actuary said and what they actually got.

Czaplicki: Is it accurate to consider underfunding pensions a form of borrowing? Or is that more of a political statement?

Mandeville: No, it's not political. It's financial in the sense that there's no reason to underfund pensions unless you give it to another program or you don't have the money to pay it. Then the question is, do you cut pensions or do you cut mental health? It's the old issue of, do you put money in a bank account for some future event, or do you help the mental health client who needs help today, or the student in the education system? The most difficult issue that I think a governor has is to make that balanced approach between competing demands for money, because there is always more demand than there is revenue. And it's for good purposes. Some of it may be frivolous, but most of it is for good purposes that, given the funds, should be financed.

Czaplicki: But usually, in that calculus, it seems like pensions are almost always going to lose.

Mandeville: They have in recent years, yeah. Well, for many years. They have tended to lose, yeah.

Czaplicki: It's pretty constant.

Mandeville: But to be fair, part of the deficit growth were the years of bad economic conditions. The '81, the '95, the '05, '08.

Czaplicki: Two thousand one and '02. If you're interested, here's the five funds, and these are their average rates of return.¹²⁸

Mandeville: Okay. Do you have it in aggregate?

Czaplicki: No.

Mandeville: This looks like it would be 8 percent, maybe. Certainly this would be.

Czaplicki: You can see how important the returns are, because in the Thompson years, two of your years of greatest increase in the percent funded coincided with really remarkable returns—20 percent, 27 percent, 18 percent.

Mandeville: Yeah, but you're coming off a couple of years of loss. This is coming out of a recession. You've got to look at the base.

¹²⁷ There are five state-run pension systems in Illinois: General Assembly Retirement, State Employees' Retirement, State Universities Retirement, Teachers' Retirement, and Judges' Retirement.

¹²⁸ See Table YY in *Handbook*(??)

Czaplicki: Right, '83.

Mandeville: Yeah, the recession of '81 and '82. Just as an example, whenever the last one was—'05 or '06, the last big drop? I think it might have been '95. In that year of the market going down, we lost 40 percent of our equity value in our personal investments, but we didn't sell, so it was a paper loss. The same with these guys. It's a paper loss. If you look at the history of the Dow Jones, it has always returned to its previous high. So we just didn't sell. If you sell, you lose 40 percent. If you keep it, eventually you get back to 100 percent of where you were ten years ago. In the meantime, you have a very healthy increase from a much lower base. So you're not making money, you're just replacing what you lost.

Czaplicki: Getting back to your level.

Mandeville: Right. It's like the recent 7 percent downturn in the market. When it fell 7 percent, we bought more stock. Otherwise, we were very heavy in cash, because we think there's still going to be a big crash. Since then, it's gone up about 10 percent. But it's only from a decreased base that it went up 10 percent. It took 7 percent to get back to where you were, and we're not quite there yet. We're at 16.1. The Dow was up around 16.7, I think, at the high point.

I think if the question was, is it a form of borrowing, it's borrowing for another program if you have the funds and you choose to do that, or it's because you don't have the funds at all and neither program can be funded. The General Assembly, in the end, makes the final decision. They normally will not object to a cut in a source that gives them room to do other things. Generally, if the cut was made, it was not made at the time of the presentation of the budget. It was made to bring the budget back into balance. For example, in '81, the one time I recall that we did cut back to the payout level, we proposed the full actuarial amount in the budget. The General Assembly added a lot of other stuff. So what do we do? Do we cut education back to the level we recommended when they certainly could use the amount the General Assembly passed, or do we cut something else?

You say it's easier, and I agree, to cut something like a pension that won't be needed until 2030 or sometime out in the future. The other programs start today. You've got to feed the kid the free breakfast if he doesn't have breakfast at home—Title I, free food. Or you institute the mentally ill client who won't take his medication and put him back in episodal for another six months. Those things you've got to do now, and you have entitlement programs. Mental health is not an entitlement program, but welfare is, and certain DCFS programs, I think, are too. You have to do the entitlement if the person qualifies. You don't have to pay as much if you're willing to change

the program, but once you have the program in force, you have to allow anybody who qualifies to get that. You can't avoid that. Tax refunds is another one. That's not our money, so you have to pay the tax refunds. There are certain programs like that, and I would argue mental health, corrections, fighting child abuse—those are all programs that the state is going to do no matter what. Education is another one. They're going to fund them to the limit they can. When you look at what the General Assembly can do, it may be 3 to 5 percent flexibility, maximum, in a given year. That's what they play with. They don't play with the 95 percent. They know, and the governor knows, that has to be funded. Debt service is another one.

Czaplicki: You felt you underfunded the amounts, or cut some from the pensions, just once?

Mandeville: Once that I recall, '81 or '82, whatever that year was, but it wasn't necessarily underfunded. The General Assembly ultimately decides the level of appropriations.

Czaplicki: Even if you make the recommended payments, is there any worry about the percent of the program that's funded? Trying to bring that level up?

Mandeville: That should be your objective, to bring it up to two-thirds. Sixty-five, seventy percent would be full funding, in my mind. Others will disagree. A number of people will agree with that.

Czaplicki: Why would that count as full funding?

Mandeville: I think that covers everything, actuarially, that you need. I can't really define for you the 100 percent. But others have said 100 percent is overfunding. Sort of like the IBA. Put too much into the sinking fund. You don't need that much. But someone's guess at what it will take—and that's all it is, all of this is, guessing, just like revenue estimating—is that you should have that much in there. Currently, they're saying the pensions will be 100 percent funded in x number of years. That's what the current change is. It won't happen. For a whole lot of reasons, it won't happen. If they get to 70, they'll be happy. We're probably down around 50 or 55 now. Some number lower than 70.¹²⁹

Czaplicki: Maybe this was an issue at the time, but just in my readings, it didn't seem to be a very big issue. Why is that?

Mandeville: Why wasn't what?

¹²⁹ As of fiscal year 2012, the five state systems were 40.4 percent funded, with \$94.6 billion unfunded out of a total liability of 158.6 billion. Illinois Department of Insurance, *Public Pension Report (2011-2012)*.

Czaplicki: Pension funding. Why wasn't this something that was focused on more then? Now, that's all anybody seems to talk about. Why do you suppose a difference between then and now?

Mandeville: I think demographics got in the way. They may not have assumed that people would live as long as they are. I'm eighty-three in a couple of months. I should be dead six years ago. The average retiree lives a relatively short time, six years. I've been retired for twenty-three years, and I expect to go another two years. Or more. (laughs) I think that was part of it. People are living longer. Maybe they underestimated the impact of the baby boom, and maybe they missed the baby boomlet in the early nineties; the children of the baby boomers, who now have children, and so there's a one-time short increase in school population, then it levels off again. I'm not sure. It didn't seem to be as much of an issue.

Maybe they weren't worried about it. We got married in the fifties, and the fifties were an excellent decade, and the sixties were. Even the seventies. It wasn't until later that things cropped up that weren't expected. The money we're spending on drugs, for example. Corrections tells me 80 percent of the people in our prisons are there because of drug-related crimes. They killed somebody or hurt somebody to get money, or they used drugs, or they sold drugs, or they had drugs in their possession. That was not even on the horizon until the sixties, and Vietnam, and it seems whatever it was in New York, the get-together of all the hippies—

Czaplicki: Woodstock?

Mandeville: Yeah, Woodstock. People didn't talk about drugs at all. It wasn't even an issue in the fifties or the early sixties. It wasn't until an event like Woodstock, where you saw pictures of guys really dosed out on marijuana, maybe worse. Probably marijuana at that time. You didn't even think about the other costs that would come into play in a budget, in a state budget, as much as you do today.

It's here today. You know it's there. You've got to keep those prisoners—we call them residents—you've got to keep those residents reasonably happy, so you don't have riots. You've got to feed them, although [based on] our retreats that we put on in Jacksonville, you never want to eat the prison food if you can avoid it. (laughs) But it's food. But they've cut back on the food. You have to do something with all those folks. You've got to do something if child abuse is increasing, or if it's only being reported more. I don't know which is the case, but clearly the laws that pass that require people like teachers and nurses to report child abuse were not there before, so child abuse probably occurred, but you didn't know it. Now you know it and you've got to do something about it. Education, the property tax revolt—the California and Massachusetts limits—that was not there in the fifties and sixties and

seventies. Now it is, so you have to take that into consideration. For all those reasons. I think many of those mortality tables had to be revised. People are living longer, and they're retiring later, and that's a recent change also. That's one of the things to help try to keep the pension solvent.

Czaplicki: Do you think the current reform bill is going to survive its court challenge? Because some argue the constitution is very clear that you can't infringe on these benefits that they've contracted for.

Mandeville: I think if it doesn't, the result will be worse.

Czaplicki: If it doesn't survive, then what options does the state have?

Mandeville: I'd rather have it survive. They can cut health insurance. Is that a benefit promise? They can reduce COLAs.¹³⁰ There is an argument that, once you retire, what you were promised has to be given to you. But they've already slapped a monthly fee of eleven dollars on dental that was not there before, and they also cut my pension by 1 percent this year, 2 percent next year, representing a cut in how much I get per month. I don't care, because I've got twenty-three years of COLA, so I'm okay. But the person retiring today has an entirely different problem. Industry, for example. I play tennis with a guy that worked for Franklin Life. When he got his pension, it was, let's say, twelve thousand a year. It never increased. So he's losing purchasing power every year. Our pensions went up 3 percent a year, which sometimes was way less than inflation, but in today's world, it's a bonus.

I think that they would find ways—and retirees may not get hit because of a court ruling that says you can't reduce benefits. But you can bet your life any new hire would be hit, and that's where they would save the money. Would people still hire in the state? You bet. They would still want a state job, because it's perceived as being—it used to be perceived as being secure. That's not necessarily true anymore. When I first joined the federal government, NASA, in '62, it was perceived to be a job you could have for life if you wanted it. And the sixties were very good, because the head of NASA was a close friend of Johnson's. (laughs) Politics. Jim Webb. They were both oilmen from Texas.

Czaplicki: I might come back to pensions after, but I think that's a pretty good overview. It would seem that this question of taxation and when one taxes is looming over a lot of these discussions. The governor could use his office as a bully pulpit to focus on certain issues. If more revenue is needed, one might expect him to focus public attention on the need for revenue. Governor Thompson did do this on occasion. But his timing was interesting of when he did this. The first time he did it was a result of the early eighties recession. In '83, he asked for a tax increase. But this came with a bit of controversy. Because on

¹³⁰ Cost-of-living adjustments (COLAs) are automatic increases in benefits to maintain purchasing power.

the campaign trail, on October 7, 1982, Governor Thompson said he was “against the unilateral increase of the Illinois income tax, just to avoid hard budget decisions. I don’t see the need for one in this next budget year, and I take one budget year at a time.”¹³¹ Then a week later, he criticized Stevenson for claiming that a declining economy increased the odds that they’d need a tax increase. The governor then said, “It depends on who’s in charge. If you’ve got a tough, competent governor in charge, an income tax increase is not one that we’ll necessarily have to have.”

Mandeville: You notice the escape clause, “necessarily”?

Czaplicki: Yeah, “necessarily have to have.” Yes, I did. He is a lawyer. (laughter) But of course, in June of ’83, the General Assembly passes a measure that increases the individual income tax from 2.5 percent to 3 percent. The corporate goes from 4 to 4.8, so it’s a 20 percent increase. It’s temporary for eighteen months. The governor had also mocked Stevenson’s proposal to raise the gas tax by five cents, saying that was too high, but lo and behold, the General Assembly increased the gas tax by 5.5 cents a gallon. We had the campaign trail. These were the statements.

Mandeville: Did Thompson recommend a gas tax increase?

Czaplicki: Not to my knowledge, no. Stevenson did. Thompson said no, five cents is too high. So the General Assembly passed one for 5.5, and that went through.

Mandeville: But that was the General Assembly. Yeah.

Czaplicki: What were your thoughts at the time on the need for an income tax increase, back in ’82, when you’re looking at the trend in the economy and the needs for programs? What are you thinking about whether or not taxes are going to be needed?

Mandeville: I think I said openly that they are needed. By the way, Thompson was never afraid to raise taxes if he felt it was necessary. He would raise them, and he would be very open about it.

Czaplicki: But income and sales taxes?

Mandeville: Sure.

Czaplicki: The two main ones.

Mandeville: Oh, yeah. Income tax too. And sales tax. I think he was probably a proponent of restoring some of the sales tax cuts when they cut it back.

¹³¹ David Axelrod and Mitchell Locin, “Thompson Predicts No State Income Tax Hike,” *Chicago Tribune*, October 8, 1982.

Czaplicki: Right, there was the tax on food and medicine, and they phased that out over time. A difficult battle.

Mandeville: I think it was '81. Okay, I'm getting there. (pages turning) It's right in this time period. I think this budget was 1983. So this is the budget that you're talking about. Fiscal '83, where we were just sitting there eating carrots.

Czaplicki: He talks about this in '83, so it would have been the fiscal year '84 budget.

Mandeville: Same time frame, but it's roughly.

Czaplicki: I was also interested in the part of his statement where he says he takes it one year at a time. Earlier, you said that you would plan for multiple years.

Mandeville: Yeah. It would be one year at a time, but you could still have multi-year plans. He would take this year, given the multi-year... This was the first budget. Later on, there are some clips in here that talk about the time period you're talking about, where, if you don't raise taxes, you're going to have to cut education. I'm not against tax increases, and Thompson wasn't either, but my argument would be you raise the tax that is most equitable based on ability to pay. In my mind, sales tax is not based on ability to pay, because unless you give an escape clause for the low-income, in some kind of a tax credit—which they do now, for everybody, if you itemize. If you don't itemize, then you put whatever they give you.

I would argue that the one tax you should raise, if you have to raise taxes, would be the income tax, for two reasons. One, it is based on ability to pay, for the most part. People say corporations escape it, but I'm not sure how much that is true. Secondly, it is a major revenue source. You need the second for sure. There's only two major revenue sources: income tax and sales tax. Federal aid is a large source, but nothing compared to those two. Maybe 40 percent or so of that. The federal aid is not under your control, so they may or may not continue giving you revenue sharing. If you want to raise taxes, if the program need is sufficient to cause you to raise taxes, it should be the most equitable one you have, and that's the income tax. And you can raise the money you need. It's like the income tax that's going to expire at the end of this year. They're not going to delete that. They can't. They won't make that decision until November 15.

Czaplicki: It's baked in.

Mandeville: But they have to keep it in. Now, they might keep it in for a year, and then, by then, maybe people would get used to it, and they keep it in. If they don't, they dig the hole even deeper than the \$3.5 billion that Topinka has said recently is owed in bills. I think I mentioned this before, but if an invoice is

not paid within x time—unless it's not a clean invoice, it has problems—the state has to pay an interest rate, which is far greater than the rate of borrowing money today for most people. If I were a businessman and I had access to capital, I wouldn't care when they paid me. Because ultimately, I would be paid, and then I would get all the interest. I know the ones that are hurt are the ones that can't borrow.

Czaplicki: Can you sell those bills? Is a secondary market allowed to take advantage of that?

Mandeville: Probably. Oh, I bet there's somebody who would do it. They'll take your lottery winnings and give you a flat amount today. They will give you present value, less tax. That's their commission. (laughs) If you're strapped for money and you have a million dollars coming to you over twenty years, based on X percent of growth, they may give you three hundred thousand, and you'll take it. I would say there is time when taxes should be raised. It's the old story of everybody wants it cut, but not their program. If you're a mental health advocate, you can't cut that program, because these people suffer.

Czaplicki: Would you talk about this issue frequently with Thompson?

Mandeville: Yeah. Frequently? No.

Czaplicki: Revenue was always—

Mandeville: Infrequent as possible. (laughs)

Czaplicki: But was there a sense that we are going to have to raise income tax at some point, so when do we do it?

Mandeville: We would say, "Governor, here in the shadow budget"—the early one—"Governor, you're going to be hurt in many areas." I think I have it in here, I say, "There will be pain," and I put down ten or twelve items. That's the result of not raising the tax. That year, they did not raise the tax. They refused it. I was on one of these talk programs by the local media, and they said, "Why are you proposing a tax this year?" I said, "Because we need it." "What happened last year? Why didn't you propose it last year?" I said, "We did." They said, "What happened?" "They wouldn't pass it." "So then what happened?" "We cut programs." "Oh, so you're proposing it this year so you don't have to cut programs?" "Right. You've got it." That should be the measurement. Not raising it just to raise it, but to finance programs. Again, if you look at the major programs, education and welfare, those are two that should be funded.

Czaplicki: So you never had a discussion in '82 about raising the tax in '83?

- Mandeville: Not directly, but we did indirectly, through the shadow budget, saying, “Governor, we’ve got some problems coming up. The revenue fell three hundred million.” I think it was in that time period. “The outlook is not good if we don’t have more revenue.” I would say things like that, so he had a choice there. Revenue enhancement, we called it. We don’t call it taxes. (laughs) Or spending cuts. One of the two.
- Czaplicki: I’m just trying to pin down, on October 7, 1982, if he can say, “I don’t see the need for one in the next budget year,” I’m wondering at what point he saw the need.
- Mandeville: Did he mean ’84? We were already in ’83.
- Czaplicki: Right, so he’s looking ahead. He’s on the campaign trail, he’s out there.
- Mandeville: So he probably didn’t, he probably assumed... What was the growth? Forty-four percent? In the stock market in ’84. Look at the pension fund, that’s probably where they have the growth.
- Czaplicki: Fiscal year ’83, that was a pretty good growth. Forty-four percent.
- Mandeville: That’s about the time he was talking.
- Czaplicki: The available balance at the end of ’83 was \$110 million. At the end of ’84, it was \$217 million.
- Mandeville: One ten would have been perceived as being low in my mind. But the economy was recovering, and it did recover through all of the eighties and into the mid-nineties before it fell again.
- Czaplicki: I’m just comparing his response to Stevenson’s, where Stevenson is out there on the campaign trail suggesting that if you look at what’s happening in the economy, you look at the program load, an increase very well might be necessary. He says that pretty clearly. But here’s Thompson with the caveat. “We might not necessarily have to do it. I don’t really see it now.”
- Mandeville: That’s a campaign. Simon said that against—didn’t he run against Walker in the primary?
- Czaplicki: Mm-hmm.
- Mandeville: He made some oblique reference to a possibility in the future sometime, income tax, and Walker said, “He’s proposing an income tax increase.” I think you give them the benefit of the doubt. I think Stevenson was being honest. I think Thompson was. I may have fed him some data—I don’t even recall—that things are improving. If you sit here today and say that, two years from

now, or a year and a half from now, things are going to be such and such, you're probably wrong, and maybe grossly wrong, suddenly. We had one year where things were going along well, and then, in October, they just fell apart for some reason. I noticed that the state of Illinois had an unexpected bonus last spring of \$1.5 billion. I didn't analyze it. I don't know all the particulars, but they did not expect to get that, and it did reduce the unpaid bills for a time. They were around \$5 billion before. That was something that they didn't expect. Those things happen with an economy. I can't get into what Thompson's reasoning was or thinking at the time.

Czaplicki: Is this a case where you want that bully pulpit used, all the options on the table? Or if there wouldn't be as much of a political cost. If one candidate is already pretty much going on record as potentially supporting a tax increase, then the cost of you saying, "Yeah, we might need to do this" isn't as great.

Mandeville: It is. I think it is. Was that the year that Thompson won by about five thousand?

Czaplicki: Very close election.

Mandeville: It might have been the other way if Thompson had said, "We will definitely raise it." I've said publicly I would recommend to the governor to raise the income tax, or some major tax, if necessary to fund programs. I didn't say that, to my knowledge, in that time period, but I did present what the situation was, and it wasn't good. The outlook was not good in '81 and '82, and then it began to look better, as it always does when you come out of a recession. But you're only going back to where you were before. You're not really ahead of the game.

Czaplicki: How does a governor decide on a revenue figure? Is he primarily trying to make up the shortfall and ease cash flow problems? Or, because it's so hard to get, is this the kind of thing where you want to make sure you raise a little more revenue to enable some expansion?

Mandeville: Was this the one where we went 2.5 to 3?

Czaplicki: Yeah, this was the 20 percent, not the 40.

Mandeville: We call it half a percent. (laughs) He probably picked the number that was in some kind of a ballpark. We know that we can't increase only the corporate—the ratio of 8 to 5 has to stand at least the one way.¹³² What I had to do, then, was to take the increase in revenue—and I probably still have the chart—and go before Netsch and the other Senate Revenue Committee members and walk it down. "If we get \$1.5 billion, here's how we're going to spend it, and we can take it down to zero." And they bought it in the year that they raised the

¹³² [Placeholder for *Handbook* entry on "Income Tax"(??)]

tax. So I was a salesman for the tax increase to the General Assembly, and to some extent, to the public.

But it was not hard to make good use of the \$1.5 billion. Part of it was to fill a hole. Do you have the two figures on the available balance? Here we have the available balance going from \$483 million in '80 to \$110 million in '83. That's scary. Obviously, each of these were a deficit year, in the sense that we spent more than we took in. That means that you first had to fund the deficit before you can increase any spending under the multi-year approach. This would have been about \$75 million, going from this year to that year, but you're coming off three years of deficit. So it was surely much greater than that, because each year, you couldn't increase spending without creating another deficit. You probably did increase spending in each of these years by some amount, always keeping the balance projected to be positive, but going down.

Czaplicki: In your role as salesman, how did the General Assembly treat you?

Mandeville: Nice.

Czaplicki: Did you get beaten up or were they cooperative?

Mandeville: They were cooperative. They knew a tax increase was needed, and they saw what happened the year before.

Czaplicki: I understand Lee Daniels wasn't very happy.

Mandeville: He probably wasn't. Pate Philip probably wasn't. It was mainly the Senate Revenue Committee that had me up presenting this. I think the year before, we had to actually cut spending, or severely reduce growth in spending, and they saw that. This is part of the deficit issue: to come back to the level before the cut, you had to use some of the new revenue before you ever got to increasing it. I think they saw that. Certainly the Senate did, and they went along with it. In the end, I guess Daniels—I don't really recall—must have gone along with it.

Czaplicki: In the end, the measure passed the Senate by a vote of thirty to twenty-nine. That was a squeaker.

Mandeville: But that was game playing. They kept the guys off who would lose; the safe districts voted.

Czaplicki: Was there a lot of arm twisting going on to get that vote?

Mandeville: I don't recall it on that. I do recall one year where I was with Thompson and a couple others in his office, like ten o'clock at night, and he was talking to a

senator from Chicago, pleading with her. I could almost hear her crying, and I think Thompson was almost crying, about, "I have to have this cut in welfare. I know it's your clientele, but I really need this to stay solvent." He convinced her, so she went along with the cut in welfare. She would not fight it, but it was necessary to do. It was probably the year that we couldn't get the tax increase. That's the result. You can defer payments to an extent, but you can't defer payments across time. Ultimately, you have to pay it. And even in today's environment, they can't defer that \$5 billion or \$3 billion indefinitely. They'll have to pay it sometime.

Czaplicki: Why do you suppose that call was upsetting to him? It sounded like he was emotional on the call.

Mandeville: He was pleading his case. I think he felt very strong on social programs. As we mentioned, he said he made me more socially liberal. He became more conservative on finances. I think that was true. Out of necessity, he became more conservative. I'm not against social programs. I'm against spending you can't afford. It's the same in our family situation. We are relatively okay financially in retirement after twenty-three years, because we did practice living within our means and creating cash flows that continue indefinitely. It's no different in state government. You spend what you have, and someone makes a Solomon-like judgment of where the money goes. But there's only so much, and it's tough when it gets down to the end and you can't fund programs like you want to. At some point, you say, "I've got to have a tax increase." And then you don't get reelected. (laughs)

Czaplicki: In 1986, Thompson runs against Stevenson, and it struck many as déjà vu all over again, as the phrase goes. October twenty-ninth, less than a week to the election, Governor Thompson once again says, "I don't see the need for a tax increase." Yet, by January, he goes to a meeting with the bond rating agencies in New York and he tells them that balancing the budget may require a tax increase.

Mandeville: This was in?

Czaplicki: In the '86 campaign, he says he doesn't see a need for the increase, and then two and a half months later, he says, "I'm not ruling it out. I'm not ruling it in."

Mandeville: He has to say that. He has to say he'll do whatever he has to do to balance the budget. I see nothing wrong with that. Did he say he wouldn't raise it during the campaign? Or did he say he didn't see a need?

Czaplicki: Again, he didn't see a need. It's not an outright declaration that he would not.

Mandeville: And what was Stevenson saying?

Czaplicki: I think Stevenson, by this point, was just saying, "He will raise taxes."
(laughter) "Don't believe him."

Mandeville: But he's probably not saying he would raise them, anymore.

Czaplicki: Then, leading up to his budget message, the *Tribune* notes that there was actually intense secrecy, which was a change from prior years, when they said there used to be plenty of leaks about what might be coming down in a proposal. Finally, in his message, Thompson unveils a plan that would increase taxes by about \$1.6 billion. That's his initial proposal, and later on, he hikes that.

Mandeville: What were the taxes?

Czaplicki: By June, he's modified the proposal. He's calling for an increase to 3.5 percent on individuals, and he wants to go to 5.6 percent on corporations.

Mandeville: And that didn't pass, right?

Czaplicki: That would be about a 40 percent increase. He wants this in '87 and it doesn't pass. Then he tries to have it again in '88 and it doesn't pass. So it fails twice.

Mandeville: Then you live within your means. Then programs don't get as much as they should, from someone's view. I don't know that I ever felt strongly about giving a program more money. The allocation is the tough part. Reasonable people can agree that \$26 billion of general funds is enough for a state like Illinois. They can't agree how to split it. Because if you begin to add up the reasonable need, it exceeds \$26 billion.

Czaplicki: When do you suppose the governor changed his mind? If he changed his mind.

Mandeville: I can't remember the year. There was one year where we actually did have an October surprise, which is how the media presented it. (laughs) But we don't know that until November. In other words, the receipts are not in until the end of October, and then sometime around the tenth of November or so, like a bank statement, they say, "Oh, man. We had a problem here in October." It actually occurred. Now, people say, "Hey, you knew that and you didn't say it." We didn't know it. I know they'll never believe that, but we didn't know it in October.

Czaplicki: What it sounds like to me, then, is Thompson wasn't afraid to raise taxes if he needed to. Income tax and sales tax, the two main ones.

Mandeville: No, other taxes, too.

Czaplicki: Oh, no, he certainly would do that, because he did that throughout the administration. I'm thinking of the biggies. He's not afraid to do that if he has to. Would it be fair to say that that was always the last resort for him?

Mandeville: Yeah, I would think so. I think he would go along with me and the bureau if the programs were reasonably funded. I don't know that he did, but he probably got a lot of pressure from the advocates, both in the General Assembly and in the public, the associations and so on, to give more money to these programs. Certainly education always requested more money, as did welfare. I don't know if the governor asked for it or not, but the truth in sentencing law was passed, and there was a time when that was the thing to do. You can't always buck the system. If the tide is going that way, you're going to go that way whether you want to or not. Once you've passed that, you can't say, "Well, that takes care of it." You've got to build the prisons. That's not the problem; you bond that and pay for it over twenty-five years. The problem is staffing them, and that costs a lot of money. If you look at Corrections, they had extraordinary increases in some years, because they had more people to maintain.

Czaplicki: Who was responsible for the decision to increase secrecy around the budget briefing?

Mandeville: I don't recall any secrecy. When was this?

Czaplicki: Doing the fiscal year '88 budget, so spring of '87. I'm getting this from the *Tribune*. They said, unlike past years, when there were actually plenty of leaks and we could get a lot of information, it's locked down. We're not hearing anything about what's coming up in this budget.

Mandeville: Well, there shouldn't be any leaks before the embargoed one, the briefing of the press.

Czaplicki: They claim there was a difference. I'm wondering if that was your doing, or you don't remember it that way?

Mandeville: No, I don't remember it that way. If you talk about Walker's first year, very definitely. He was really concerned about data getting out before he had a chance to present it. Thompson, to my knowledge, never cared about that. He would call it like it was. If it meant a tax increase, he'd go for the tax increase. I'm talking budget message.

Czaplicki: Normally, there's an embargo on it; you say information shouldn't be getting out. How do you enforce that kind of secrecy?

Mandeville: You don't. You really don't. You take the media at their word that they will not, and generally they did not. They would write all their programs, but they wouldn't publish them until after the embargo, which was a day or two later. It wasn't that long of a time period. They generally honored the embargo. Such as, will you honor that embargo if I put in a twenty-year embargo on this [interview] being released? If there were leaks, they were very sub rosa. We, in most years, never knew there were leaks. If there were, we could probably trace it down to the guy who leaked it, so he was probably excluded from the next briefing. But I don't even recall any leaks.

By the way, a guy like Dan Egler, and John Elmer before him, they might have gotten their information from people who were speculating and making it sound like it was real. There's a lot of speculation that goes on. Every agency went through a budget review, and they know, generally, what the bureau was saying about a tight budget and this kind of thing. Maybe that was the source. I really don't know.

Czaplicki: The strategy changed a little bit. In '83, you really emphasized the cuts and the need to bring program funding up. That was the need for revenue increase. Initially, in '87, Governor Thompson's budget emphasized all the different spending that could take place as a result of an increase. It was only later on, around April or May, that you kind of went back to the first model and you started showing the effects of not raising revenue. Apparently, the governor had a series of one-on-one meetings with different state legislators, where he showed them what the actual effects would be in their district if the tax increase didn't go through.¹³³

Mandeville: Good move.

Czaplicki: Do you recall that? Did you help prepare those books showing the effects?

Mandeville: We may have. If he asked for the information, we'd give it to him. I think they have a program that can look at it by district. Certainly the general state aid, which would be one very important one. It'd be awful hard to assess an impact of a district on some of the programs that we have. On welfare, probably you could.

I don't see a difference between the two. You can either say we're going to cut programs or we're not going to increase them as much. It's the same concept. You need a tax increase to avoid cutting, and you need a tax increase to avoid not increasing funding for them... Both of them result from the failure to pass the tax increase. I think it was one of those two years you mentioned, we actually did cut education below the prior level of funding, which is very unusual. What that does is put pressure on property tax. If they have any headroom at all to get up to the \$2.11, or whatever their tax limit is,

¹³³ [Placeholder for JRT's discussion of tax increase fight(?)]

they would take it if the state faltered in funding at the level they did the year before.

Czaplicki: You approve of that tactic, though? That's the way you should go for it?

Mandeville: What's the tactic I'm approving to?

Czaplicki: The arm twisting. Saying, "Well, this is what's going to happen if..." (laughs)

Mandeville: Oh, I don't know about that. I think it's good to present to them the results. I don't know about the arm twisting.

Czaplicki: Madigan was really the key obstacle to these attempts in '87 and '88 to increase the income tax. Eighty-nine, he does an about-face and decides he's going to support it, and it wins. Any ideas why he was so opposed to it in '87 and '88? Why Madigan wouldn't budge?

Mandeville: No, but I know why he changed in '89.

Czaplicki: Why did he change?

Mandeville: Because of the prior two years. What happened without it. I don't know why those two years are significant. I don't know anything special about them.

Czaplicki: We also had a new mayor in '89.

Mandeville: Young Daley?

Czaplicki: Young Daley.

Mandeville: See, the top Democrat is the mayor, not Madigan, and not the governor, if he's Democratic. It could be that Mayor Daley didn't want him to [oppose the increase]. The local elections are off-cycle with the governor's elections, a different time of the year, like April.

Czaplicki: And they're odd years. They're not even. You prefer the income tax, because that's the tax that's based most on ability to pay. Was there ever any discussion about proposing a progressive tax instead of a flat tax on individuals?

Mandeville: Not to my knowledge.

Czaplicki: Do you think a progressive tax would be a more favorable tax, based on this principle of ability to pay?

Mandeville: No. I think the fairest tax would be broad-based, low-rate, and that's what we have, or used to have. It's gone up to 5 percent now. That's a 60 percent increase. I think it is better to have low rate, broad base if we could. We tried a number of times, and it failed, to include services into the base for things like sales tax. We couldn't sell it. The income tax should eliminate all the loopholes, which Illinois has. Illinois basically eliminated those, unlike the federal government, where there are loopholes, especially on the corporate side. That's not true—even on the individual side—of Illinois. They have a relatively low rate and a broad base. That's the best tax.

A progressive tax stymies investment by those who have the means to invest, which ultimately transfers into jobs. Again, that can be argued. Just an example. I bought a farm in 1970 for \$35,000. I sold it in 2009 for about \$300,000. I ended up paying almost \$50,000 in capital gains, which was okay. I knew I was going to pay capital gains. But the guy who bought it had sold property. He was from Ireland, and ran the Celtic Mist, in case you ever want to drink down on Seventh Street.

Czaplicki: I've been there.

Mandeville: Have you? He's the owner. He had to buy [my property] that day or he would have to pay capital gains [on his earlier sale]. He was smart enough to put the money immediately into another investment to avoid the capital gains. Someday, he or his heirs will pay capital gains. My objective was to get at least \$200,000, clear of everything else. So I paid \$50,000 in capital gains tax, and I gave the kids each \$5,000. That was \$40,000. So I netted about \$210,000. To me, that was okay. I got my money out of the farm. Plus I was making good interest on my investment.

Czaplicki: How did the failure to get the tax increase in '87 and '88 shape Governor Thompson's agenda for the last term? Were there initiatives that he was utterly unable to undertake as a result of not having that revenue?

Mandeville: Sure. I think there were.

Czaplicki: Was there anything in particular that stood out?

Mandeville: No. There might have been some. We have 100 percent of the prairie chickens, so he can't give any more there. It would be more likely giving the main programs that comprise 95 percent of the budget more money—accounting for inflation—so they can better execute programs, or execute them in a better way, rather than starting new initiatives. He didn't start a whole lot of new initiatives, but where the opportunity was there, he was prone to do that. Sometimes he was able to do it with the finances we had.

- Czaplicki: One commentator blamed some of the difficulty in getting these increases through on “an era of fiscal conservatism.” Politicians definitely respond to what their voters want, but they also lead. I’m curious if you think the governor bears some responsibility for nurturing this conservatism. Whether the early austerity talk, his Thompson Proposition, refusing to make an income tax increase part of his campaign platforms—in all these areas, he always seems to be pushing taxes off. Does he have responsibility for signaling that increased taxes are undesirable?
- Mandeville: No. I think it works exactly the opposite. If you can prove that you are conservative and you’ve spent the money well, and didn’t overspend for ten or twelve years, I would think people would be more likely to not fight a tax increase as hard. They would still fight it, because it’s money out of their pocketbook. I’d probably vote against it. But I think the fact that Thompson did live within the means, generally speaking, during his last twelve years up to that point, should signal to the people that here’s a guy who’s going to live within his means, and if he raised taxes, he’s going to use them in a good way.
- Czaplicki: You’re getting at my next question with that answer. I think about billing cycles getting delayed, or pension funds getting shortchanged, or candidates don’t want to speak frankly about the need to increase taxes or revenue. Is there a way that democratic politics are opposed to sound finance? It encourages tricks like shifting time and masking things?
- Mandeville: I don’t think so. You might call it masking; you might call it necessity. The comptroller cannot issue a warrant, a check, if there’s no cash. If you opt to pay welfare, health facilities, quicker than you were paying them, and you’re at a low level in the balance, you’ve got to shortchange somebody else. The question is, does it hurt more to extend the payment cycle? I think it’s probably some \$30 million to \$40 million a day in the welfare-type programs. Does it make more sense to slip that two days in order to pay these people more currently? That’s the way we looked at it. That’s the kind of judgment you have to make. It would be characterized, perhaps, of purposely doing that, but it wasn’t by accident. It needed to be done in order to keep the state balanced. If you’re at \$100 million in some of these years, whether it’s Thompson or somebody else, that’s two days of spending in the general fund. What happens if you have a problem and you can’t pay employees, you can’t pay the income maintenance to welfare recipients? You’ve got to take that into account. So to me, increasing the billing cycle reasonably—not way out there, but reasonably—is better than being shortchanged in paying welfare recipients. Nobody cried too much about it, to my knowledge.
- Czaplicki: On that note about delayed payments, earlier you had said that every new gubernatorial administration likes to say that the last administration—
- Mandeville: “You guys didn’t do it right.”

Czaplicki: —left a problem for us that we have to solve. So as Thompson’s tenure wound down, do you think he left Edgar with any problems? For example, in April 1988, service providers were complaining of forty-one-day delays in their payments from Public Aid. You were quoted as saying, “If they think it’s bad now, they will have to wait ninety days after April fifteenth. Our number one priority is to clean up past due bills and pay all our bills on time.”¹³⁴ Were you able to do that by the end?

Mandeville: So that would have been fiscal ’88?

Czaplicki: Mm-hmm. Were you ultimately able to clean up the past due bills and pay all the bills on time, or did that malaise keep going?

Mandeville: I doubt if we caught up to the—what’s an adequate billing cycle? That doesn’t make sense, though, in the sense the—

Czaplicki: Public Aid is about to run out of money, and I think you were looking ahead and saying, “Well...”

Mandeville: By ’88, I think we had the change in Section 25 that allowed them to spend without appropriations, from existing appropriations. So it wasn’t money. If they ran out of anything, it was appropriation authority. They can get that because this entitlement, they’re going back in [with a] supplemental. But if you say it’s going to get worse after April fifteenth, the ninety days instead of forty days, how is that paying your bills on time? I guess I don’t understand if I made that statement. I don’t understand that.

Czaplicki: I think you’re saying you recognized that this was really bad and your top priority was fixing that, so that you would shorten the billing cycle.

Mandeville: But I say it’s going to be ninety, right?

Czaplicki: Right.

Mandeville: We couldn’t fix it by the end of that year, certainly. That would take a—

Czaplicki: But I’m thinking by the time Edgar comes into office. Was this one of the problems that...

Mandeville: This was two years later. No, I don’t think he had a problem. I think things were not as well as he thought they should be, and I think it was \$100 million or so in ’91. Fiscal year ’90 was the last full year that we were responsible for, and the balance was \$395 million. We were surely responsible for the next half a year [of fiscal ’91], but not for the whole year. My view is that, yeah,

¹³⁴ Jean Davidson, “State Slow to Repay Centers for Retarded,” *Chicago Tribune*, March 25, 1988.

when he took office, the balance was lower than he would have liked it to be. It was lower than we would have liked it to have been. I'm not sure that the billing cycle was necessarily decreased. I don't know. It could have been. On the other hand, I think growing to a balance of \$1.5 billion was unnecessary.¹³⁵ You don't need that much to effectively manage finances. I would argue for maybe \$500 million, which I don't think we ever achieved. That is a more reasonable number.

Czaplicki: Nineteen eighty-nine, you did—\$540 million.

Mandeville: That would be an ideal number. Definitely adequate. Because while your spending increases during the lapse period, you have new revenue. Revenue doesn't stop. So you time, sometimes, the payments by the cycle of the revenue. All corporate income tax comes in periodically. They can be on a calendar year or a fiscal year, or even an odd calendar year, like April or June. I would have argued that I never saw Edgar's premises on why he thought there was a problem. I never really wanted to engage in debate with him, nor did Thompson. It just wasn't worth it. It was just like Ogilvie gave Walker, and Walker gave Thompson—Thompson gave Edgar the budget. I wasn't there for the last six months, so I'm not sure what all happened. In fact, I wasn't there for a whole year. I went to be an ombudsman. I think Dave Wood took over at that time. If the balance fell, someone was probably lowering the billing cycle, if they could. Again, I don't think you should lower it to the point where you're at risk of not being able to pay salaries to employees or welfare recipients' income maintenance.

On the other hand, there's a limit on how high you have to raise it [the ending balance], because by doing that, you're hurting programs. Granted, the ending balance is only a one-time phenomena. If I argue \$500 million and you've got \$1.5 billion, you can't implement a \$1 billion program, because you're out of money after one year. But you could implement a \$200 million one and gradually bring the balance down, which is what I proposed to Ryan as head of the transition committee on budgets. You could do that and end up with a \$500 million balance. Programs suffer if you bring the balance too high. It's not our money. It's the people's money, and they should have access to it.

Czaplicki: Just a couple more questions. You had a long career in state government. You got the opportunity to see many governors. In retrospect, how would you assess the Thompson administration? Where would you rank him in terms of modern Illinois governors?

Mandeville: I think simply because of length of time with no major fiscal problem, I'd rank him number one, although Ogilvie would be a very close second. Because Ogilvie had the guts to raise the income tax and to increase funding

¹³⁵ Fiscal year 1990 ended with \$395 million and 1991 ended with \$99.5 million. The cash balance at the end of fiscal year 1999 was \$1.35 billion.

for education, which would not have been possible. If keeping the state solvent and increasing programs where they could be increased is the mark of a good governor, then Thompson was ranked number one. Taylor Pensoneau wrote a couple of books, and I'm not sure how he ranked them, but his mostly good and honorable men. One of them was Ryan.

Czaplicki: *Good and Competent Men.*¹³⁶

Mandeville: Good and competent, yeah. Ogilvie was a great governor in my mind, but he only lasted one term. Maybe he didn't have a chance to be as great as he might have been. He would come a close second. I was under Walker, I was under Edgar, and, in some minor way, the beginning of Ryan's and the transition. Edgar was a good governor, in my mind, in terms of fiscal. If people thought I said no, somebody in his administration must have been saying no. Maybe Joan. (laughs) Or he couldn't have amassed the \$1.5 billion. I give him credit for doing that. I wouldn't have gone that high. He went a little too far. I would have argued spend it down some, as I did with Ryan. I think it's the right thing to do. Nevertheless, he was a good, honest man, and he kept the state fiscally solvent. So if that's your measurement, he was a good governor.

Czaplicki: Any regrets? Either policies you weren't able to carry out, or, looking back, things that you might do differently?

Mandeville: It's a great job. One of the best jobs in government. And quite frankly, when I left the job and became ombudsman, it became boring. Sen. John Davidson lived just down the street. He told me that within a year, I'd be bored and would want out. And he's right. Once you have a job like the bureau, where you are responsible and where only you can solve the problem—you with a staff, like when I came from NASA, for example. In NASA, if I needed help, I called on Ben or somebody else to do this job. When I came to Illinois, I had to do it, initially in the division and then ultimately as director. It's a real satisfaction to be faced with a major challenge and to succeed. In that job, you were faced with a major challenge all the time. So no regrets. I'd do the very same thing.

Czaplicki: How about today? Given the mess that we seem to be in, would you want that challenge?

Mandeville: Yeah. And it can be solved. It's not impossible. But you don't solve it by cutting staff 20 percent. You solve it by attrition. Every year, there's thousands of new employees hired by the state. Hire only half of those, and look at it as a five-year recovery, not a one-year where you hit it with a sledge

¹³⁶ Taylor Pensoneau and Peggy Boyer Long, *The Illinois Governors: Mostly Good and Competent* (Springfield: Center Publications/Illinois Issues, 2008). This edition marks an updating of Robert Howard's 1988 book, *The Illinois Governors: Mostly Good and Competent Men*.

hammer and solve this problem today. They can't solve it in a year. It's too big. I would raise taxes if I had to, or I would try to. I may not be able to. And Quinn did. Once you raise taxes from 3 percent to 5 percent, that's 60 percent. With that kind of an increase, you've got to be able to manage it and get out of the hole. Yes, you can do it. You've got to say "no" more times than they're saying no. If you say no to the General Assembly, you can make it stick. They can override you now and then, but generally, they won't. You can bring us out, but... It isn't the system that is at fault. I'll just show you the heading here of one. Very quickly here. This is post- state government. (pages turning)

Czaplicki: What are we looking for here?

Mandeville: I'm looking for the one that says the problem isn't the system, the problem is discipline to actually execute the system. Woods Bowman proposed a bill saying if we go to multi-year finances and have one omnibus bill, we can solve this problem. That's ridiculous. You don't solve any problem by doing that, putting all the bills into one. So I answered him by saying the fiscal system needs discipline, not crutches.

Czaplicki: This is a 1988 *Illinois Issues* article.¹³⁷

Mandeville: Yeah. That's roughly the same time period of what you were talking about. There's no magic to solving fiscal problems. You've got to be willing to do it and to force the actors to go along with you—not force, but encourage them to go along with you—or you can't solve it.

I could not have done what was done, my part of what was done, if Thompson had not supported me. I couldn't do it. He had to say, "Okay, I'm backing you." Madigan called me once and wanted more money, and I said, "Mr. Speaker, we don't have it." "Well, can't you make it?" "No. We don't have the money." He said okay. And Thompson sent him to me. Thompson didn't want to say no. (laughs) "You tell him no." He didn't tell me to tell him no, but he said, "Talk to him." So Madigan called me, and I said no. If Thompson hadn't backed me many, many times, I couldn't do it. Had he not said to the General Assembly leaders, "Look, Mandeville is controlling the finances. If you want an increase above my budget, go to him and convince him, and he'll give you a letter saying it's okay." Became known as the Dr. Bob letter. If he had not backed me in that, all the spending increases would have occurred, and Thompson would have been hard pressed to veto them all. They were all, in my mind, necessary, but unaffordable. You need someone today that will back the finance guy. I don't think they have it.

Czaplicki: Moving away from regrets, of which you have none—

Mandeville: Wasn't that a Frank Sinatra song?

¹³⁷ Robert Mandeville, "The Fiscal System Needs Discipline, Not Crutches," *Illinois Issues* (February 1988).

Czaplicki: What are you most proud of from your years in the Thompson administration, and your career in general?

Mandeville: During the Thompson years, I would say keeping the state fiscally solvent through at least one recession and a couple of shorter downturns. In my career, the one thing that strikes me is I never asked for a job, someone asked me if I would come and work for them. Except the very first one, when I got out of the Air Force. We were building a house from the money we saved in the Air Force and we ran out of money, and I went to get more money. They said, "Get a job and come back." So then I did go to McDonnell Douglas for a job. Outside of that, I never asked for a job, and it was always proposed to me to take it. The other thing is, under Walker, Thompson, and Ryan in the transition, no one ever asked me what my political allegiance was. If that was a condition for employment, I would not have taken it. It wasn't that important to me.

Czaplicki: There's still lots of other things we could talk about, but at some point, these have to come to an end.

Mandeville: Right. (laughter) It's about time, I think.

Czaplicki: We can always reopen this if you think of something or you want to go in depth. We should talk about Public Aid. We could go in a lot more detail about the '81, '82 recession—

Mandeville: Why don't we leave it like it is. Have this be the final session. The next thing, I'd say, will be a transcript.

Czaplicki: Yes. That's how it will go. Although, as always, the way we end these, is there anything you want to add to the record? Is there something we've overlooked or you think should be appended?

Mandeville: I think we covered much more detail than I had expected.

Czaplicki: It's going to help us as we interview your fellow administration members. I really appreciate you spending so much time with us, and it's been incredibly enlightening. So thank you very much, Bob.

Mandeville: You're welcome.

(End of interview)