

ANNUAL REPORT OF 1978

A REPORT TO THE
ILLINOIS GENERAL ASSEMBLY



BY THE
ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION

300 West Washington Street, Chicago, Illinois 60606

Telephone (312) 793-2606

FEBRUARY 1979

Printed by the Authority of the State of Illinois

Twenty-Two Hundred Copies

55263
61



MAR 13 1979

TABLE OF CONTENTS

ACQUISITIONS

LETTER TO HONORABLE MEMBERS OF THE GENERAL ASSEMBLY... iii

Chapter 1 OVERVIEW

A.	History.....	1
B.	Membership.....	2
C.	Powers.....	3
D.	Responsibilities.....	3
E.	Special and Annual Reports.....	4

Chapter 2 COMPLETED INVESTIGATIONS

A.	Arsons.....	5
B.	Illegal Aliens--Joliet.....	9
C.	Natural Gas Utility Rates.....	11
D.	Redlining--Homeowners' Insurance (INTERIM REPORT).....	13
E.	Sexual Child Abuse.....	15

Chapter 3 PENDING INVESTIGATIONS

A.	Auto Insurance Abuses.....	19
B.	Museums.....	20
C.	Hazardous Landfills.....	21
D.	Child Abuse Deaths.....	22
E.	Railway Merger.....	23
F.	Cook Country Governing Commission.....	25
G.	Self-Service Gas.....	26

Chapter 4 OTHER RELATED MATTERS

A.	Pending Litigation.....	29
B.	Investigation of the Illinois Department of Corrections Placement and Treatment Practices, HR 27.....	31
C.	Arsons.....	32
D.	Race Track Messenger Services.....	32
E.	Fencing.....	34
F.	Cooperation with Other Governmental Agencies.....	34
G.	Fireworks.....	34
H.	Nursing Homes.....	35
I.	Organized Crime Figures.....	36
	1. Anthony J. Spilotro.....	36
	2. California Conference.....	36
	3. Mexican Heroin--Arrest of Jaime Herrera Navarez.....	36

J.	Other Matters.....	37
K.	Law Clerk.....	37
Chapter 5	PERSONNEL AND EXPENDITURES	
A.	Personnel.....	39
B.	Expenditures.....	40
Chapter 6	ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION ACT.....	41
Chapter 7	RULES OF PROCEDURE.....	47
Appendix A	MAJOR INVESTIGATIONS.....	51
Appendix B	PUBLICATIONS BIBLIOGRAPHY.....	57

CO-CHAIRMEN:
SEN. JOHN B. ROE
REP. JAMES C. TAYLOR

SENATE MEMBERS:
PRESCOTT E. BLOOM
SAMUEL C. MARAGOS
JAMES "PATE" PHILIP
PHILIP J. ROCK
FRANK D. SAVICKAS



SECRETARY:
REP. JANE M. BARNES

HOUSE MEMBERS:
CLARENCE A. DARROW
AARON JAFFE
PETER P. PETERS
W. TIMOTHY SIMMS
Acting
EXECUTIVE DIRECTOR:
Ronald Ewert

STATE OF ILLINOIS
LEGISLATIVE INVESTIGATING COMMISSION
300 WEST WASHINGTON STREET - SUITE 414
CHICAGO, ILLINOIS 60606
TELEPHONE: (312) 793-2606

TO: HONORABLE MEMBERS OF THE GENERAL ASSEMBLY

Our 1978 Annual Report is submitted pursuant to Section 7 of the Illinois Legislative Investigating Commission Act. This is a detailed report of our investigations--both completed and pending, recommendations for legislation, recommendations for administrative action, a list of the Commissioners and employees, and an account of all monies received and disbursed in calendar year 1978.

During 1978, the Commission conducted 13 investigations. We completed five of these and published our final report on three of them. Two remaining final reports will be released in early 1979. The other eight investigations have been continued into 1979 and we will publish our final reports on them as they are completed.

Our appropriation from the General Assembly for fiscal year 1978 was \$582,400. Our appropriations for fiscal year 1979 was \$571,300. During the calendar year our disbursements totalled \$408,900.

The Commission is gratified by the General Assembly's faith in our capability to undertake the wide range of investigations we have been assigned. We welcome the opportunity to continue to serve you and offer our assistance in developing resolutions for any investigation that might be assigned to our Commission.

We stand ready to assist any legislator interested in sponsoring the Commission's legislative recommendations which are found in our final reports.

Respectfully submitted,

Co-Chairmen:
Sen. John B. Roe
Rep. James C. Taylor

Senate Members:
Prescott E. Bloom
Samuel C. Maragos
James "Pate" Philip
Philip J. Rock
Frank D. Savickas

House Members:
Jane M. Barnes
Clarence A. Darrow
Aaron Jaffe
Peter P. Peters
W. Timothy Simms

Acting Executive Director:
Ronald Ewert

THIS REPORT IS RESPECTFULLY
SUBMITTED PURSUANT TO
SECTION SEVEN OF THE
ILLINOIS LEGISLATIVE
INVESTIGATING COMMISSION ACT

Chapter 1

OVERVIEW

A. History

The Illinois Legislative Investigating Commission (ILIC) is the investigative arm of the Illinois General Assembly. It was created as the Illinois Crime Investigating Commission on July 1, 1963, by an Act of the 73rd General Assembly. It originally had two specific powers: to investigate organized crime, and to investigate official misconduct.

In its early years, as the Crime Investigating Commission, the focus was primarily on organized crime. During this period, the Commission investigated such problems as arson, criminal usury, gambling, narcotics and dangerous drugs, and vending racketeering.

The Commission's enabling statute was amended by the General Assembly on July 23, 1971. The principal amendment was to change the name to the Illinois Legislative Investigating Commission. Other changes included: (1) the removal of four public members to make the composition six Senators and six Representatives; and (2) the retention of the powers to investigate organized crime and official misconduct and adding the power to investigate any matter of legislative interest. The enabling legislation, as amended, and the rules of procedure are contained in this report (*see Chapters 6 and 7, respectively*).

The General Assembly created this Commission with the intent to provide its members with facilities, equipment, authority and technical staff to conduct investigations, including public hearings, on any matter upon which the General Assembly may legislate.

Illinois remains as the only state that has ever established an all-purpose commission of this type. Some jurisdictions have established crime commissions and other permanent fact-finding bodies within a state legislature or within the office of the attorney general. But no state has yet emulated Illinois with a commission whose jurisdiction is as broad as the General Assembly's power to legislate.

Since 1971, with our expanded responsibilities, the Commission has undertaken 57 separate investigations for the General Assembly. A sampling of the diverse problems we have studied are the abuse of medical prescriptions, credit card fraud, drug abuse in secondary schools, horse racing, intrastate airlines, and nursing homes.

B. Membership

The Commission itself is a singularly legislative agency. It is composed of six members of the Illinois Senate and six members of the Illinois House of Representatives. The members are appointed by the majority and minority leadership of each body. Such a composition assures the bipartisanship of the Commission.

On February 6, 1978, Senator John B. Roe (R-Rochelle) was elected Co-Chairman of the Commission replacing Senator Philip J. Rock (D-Oak Park) who had served as Co-Chairman since December, 1971. On the same day, Representative James C. Taylor (D-Chicago) was also elected Co-Chairman to fill the vacancy left by the death of Representative Joseph G. Sevcik (R-Berwyn), who had also served as a Co-Chairman since 1971. Representative Sevcik died on September 29, 1977. Representative Jane M. Barnes was elected Secretary of the Commission at the same meeting in February, 1978.

Senators Prescott E. Bloom (R-Peoria), Samuel C. Maragos (D-Chicago), James "Pate" Philip (R-Lombard), Philip J. Rock (D-Oak Park), and Frank D. Savickas (D-Chicago), served throughout the calendar year 1978.

Representatives Jane M. Barnes (R-Oak Lawn), Clarence A. Darrow (D-Rock Island), Aaron Jaffe (D-Skokie), Peter P. Peters (R-Chicago), and W. Timothy Simms (R-Rockford), served throughout the calendar year 1978.

Charles Siragusa was appointed Executive Director when the Commission was first established in 1963--then called the Illinois Crime Investigating Commission. He resigned in February, 1976 after 13 years of distinguished service and remains an unsalaried consultant to the Commission.

Upon Siragusa's resignation, Ronald Ewert was appointed Acting Executive Director, and has served in that position for three years. He is responsible for the general supervision of all investigations, the Commission staff and all proceedings of the Commission.

As of December 31, 1978 there were 15 salaried employees of the Commission. These individuals are listed on page 39 of Chapter 5, except for the undercover investigators who are not mentioned by name.

C. Powers

The powers and responsibilities of this Commission are established in the Illinois Legislative Investigating Commission Act (see Chapter 6). Sections 10 through 15 of the Act set forth the jurisdictional powers relative to the investigation of any allegation which, if proved, would constitute a breach of public trust, a conflict of interest, a crime, a defect or omission from the laws of Illinois, or malfeasance, misfeasance, or nonfeasance within the State.

The Commission has the power to: (1) demand and receive assistance from all State public officials and employees engaged in official investigations and to request the cooperation of standing or special committees of the Congress of the United States or of the General Assembly of this or any other state; (2) conduct public or private hearings; (3) subpoena witnesses, administer oaths, examine witnesses, and receive evidence; (4) petition the courts to compel attendance of witnesses and to compel witnesses to testify; (5) request the courts to grant immunity from prosecution in the event a witness declines to answer upon the grounds that his testimony will be self-incriminatory; and (6) to issue such reports and recommendations as may be indicated, to the Illinois General Assembly, the Governor, and other public officials.

The Commission's investigators are authorized to carry weapons because of their undercover duties. However, the Commission does not have arrest powers. It has been the Commission's policy to deliver all evidence of criminal violations, developed in the course of its investigations, to the appropriate law enforcement agency.

D. Responsibilities

Investigations are commenced by this Commission pursuant to resolutions received from either house of the General Assembly, or by the Commission's specific resolution when the General Assembly is not in session.

These various alternatives were established in order to provide investigative assistance to the many legislative committees of both houses which do not have adequate investigative and research staffs to accomplish their objectives.

In each investigation, it is the Commission's sole purpose to make legislative and/or factual recommendations to the parent General Assembly and not merely to the particular branch of the legislature that adopted the resolution on which the investigation was based.

E. Special and Annual Reports

Section 7 of the Illinois Legislative Investigating Commission Act requires the Commission to submit a report to the General Assembly and to the Governor every two years detailing all completed investigations, the conclusions drawn therefrom, recommendations for legislation and administrative action, the names, salaries and duties of all officers, and an account of all monies received and disbursed. By a 1971 policy decision, the Commission has since submitted annual reports.

In addition to the annual report, however, the Commission also issues special reports on each investigation it undertakes. These reports are issued to each member of the General Assembly, to the Governor, and to the Illinois members of the United States Senate and House of Representatives.

These special reports are also disseminated to the Secretary of State and to other departments, commissions, and agencies of the legislative, executive, and judicial branches of State government, as well as to state's attorneys, sheriffs and police departments in Illinois, and the news media.

The Commission honors requests for these special investigative reports from public and school libraries, trade associations, and organizations and citizens throughout the country. A total of 1,479 persons and organizations are now on our permanent mailing list.

During the 1978 calendar year the Commission published our Annual Report of 1977 and five special investigative reports;

1. Fencing: Criminal Redistribution of Stolen Property, based on Illinois Legislative Investigating Commission Specific Resolution 6, published May, 1978.
2. Arsons, based on Senate Resolution 474, published May, 1978.
3. Redlining--Homeowners' Insurance (Interim Report), based on Senate Resolution 283, published June, 1978.
4. Illegal Aliens--Joliet, based on Senate Resolution 179, published July, 1978.
5. Natural Gas Utility Rates, based on House Resolution 21, published December, 1978.

Chapter 2

COMPLETED INVESTIGATIONS

During 1978 the Commission worked on 13 separate investigations: five of these have been completed, and we anticipate completion of the remaining eight during the 1979 calendar year. Here is a summary and description of the completed investigations.

A. Arsons

This is the second time that the Commission has investigated the problem of arsons. Our predecessor organization, the Illinois Crime Investigating Commission, investigated arsons and bombings in Cook County in the mid 1960's. This investigation focused on the involvement of organized crime in arsons--especially in the restaurant, cocktail lounge and tavern business. The Crime Commission concluded that organized crime is not connected with all arsons. Instead, insurance fraud and the desire to eradicate business competition were the most frequent motives for many of the arsons investigated. As a result of this investigation, the Commission developed information which led to the conviction of four persons for arson.

Our most recent investigation of arsons was prompted by Senate Resolution 474, which passed the Senate in December, 1976, in response to a concern that the arson problem had reached "epidemic proportions" in Illinois and nationwide. The Commission was directed to recommend solutions to the General Assembly and the appropriate legislative remedies.

Our investigators spent over a year interviewing law enforcement officials, firemen, insurance experts, visiting other cities with established arson investigative units, interviewing convicted arsonists, and actually conducting our own arson investigation.

Our investigators interviewed witnesses, gathered evidence from a specific fire scene, followed leads and researched records. Samples taken from the fire scene and analyzed by a private lab indicated that accelerants had been used, however, the state crime lab could find no trace of accelerants on similar samples taken from the same fire.

Although the Commission never developed enough evidence for an arrest, we did conclude that arson had been committed and shared our findings with the insurer of the property, the Illinois FAIR Plan. Our independent investigation demonstrated that the Chicago Police Department's Bomb and Arson Unit investigation of this same property may have been a bit cursory. Since our report was issued last May the FAIR Plan has denied insurance coverage to the property owner, as a result of information we supplied.

During the course of this investigation, we sent a questionnaire to all the State Fire Marshals in the country asking about their role and responsibility for arson investigation. In addition, we talked to 18 convicted arsonists, all of whom are incarcerated in Illinois penal institutions. Although none of them could be considered a prototype arsonist, these interviews provided us with information on how someone goes about hiring a "torch" and the role of the middleman in an arson-for-profit scheme.

Throughout our investigation we tried to gather and verify statistics on the extent of the arson problem in Chicago, throughout Illinois and across the nation. We found this to be an almost impossible task since so few records are kept on arsons and suspicious fires and those that are kept are often incomplete or inaccurate.

We learned that arson is indeed an "elusive crime" since it is so difficult to detect and prove. The jurisdictional squabble over who should handle an arson investigation is one problem, as is the lack of training for the arson investigator. There are also the technical problems of gathering and packaging evidence, since most of it is burned in the fire or destroyed in the aftermath of clean up and demolition. Next, samples of evidence from the fire scene must be analyzed by the State Crime Lab for traces of accelerants. Human error and unsophisticated equipment often interfere with this step of the investigation, we learned.

Insurance companies have often been a roadblock in arson investigations. Until the passage of recent legislation, law enforcement officials had to use a subpoena to get information about an insured property owner from his insurance company. The company feared being held liable for the information provided and subject to a lawsuit. Insurance companies have also taken few precautions to make certain that the property that they insure is really up to building and fire code regulations. They argue that the cost of inspecting all properties that they insure is prohibitive.

This plethora of problems helps to explain why the national arrest statistic for arson is 10 percent of all those cases categorized as incendiary, and the national conviction rate of those arrested is less than one percent.

During the course of the Commission's investigation, the General Assembly moved swiftly to pass several bills aimed at reducing the number of arsons in the state. The new "Class X" legislation made important changes in the "Aggravated Arson" statute (which was passed in 1977) and stiffened the penalty to a minimum of six years and a maximum of 30 years in prison, without benefit of probation, work release or conditional discharge. Another bill requires insurance companies to share information about their insured with law enforcement officials in the case of a suspicious fire. In return for its cooperation, the insurance company is absolved of any liability. Another bill prohibits insurance companies from paying insurance claims over \$5,000 until the property owner provides assurance that all outstanding taxes are paid.

The Commission concluded that the arson problem in this State requires a two-pronged attack: expanding prevention efforts and upgrading arson detection.

In the area of prevention, more responsibility must be assumed by the private insurance companies and the federally mandated FAIR Plan. We recommended that insurance agents learn more about the individual and the property that they are insuring. We specifically recommended that the Illinois FAIR Plan revise its underwriting criteria so that it was not left insuring every deteriorating property in the State and indirectly assisting arson-for-profit schemes.

We are pleased to report that the FAIR Plan has since acted upon our recommendation and revised its underwriting criteria as follows;

it can now consider the "moral risk" an applicant presents,

it can inspect owner-occupied properties,

it can review Dunn & Bradstreet reports on all commercial property that it insures,

it can examine the real estate tax payments of applicants,

it can take into account the loss frequency and general reputation of the property owner as well as the owner's housekeeping standards,

and it can take into account existing building code violations.

In addition, the FAIR Plan will have a chance to withhold partial payment of loss claims up to 40 percent until the owner has the damaged property repaired or if necessary demolished.

We also called on the City of Chicago's Building Department to more strictly enforce the applicable building and fire codes so that structures are not left as inviting targets for vandals and subject to arson-for-profit schemes.

In the area of arson detection, we concluded that more and better training is necessary for arson investigators throughout the State. In those urban areas where patterns of arson have been identified, special task forces should be established to combat the problem, along with the initiation of Grand Jury investigations.

Our report noted that in Chicago and throughout the State, a better job needs to be done in developing and maintaining statistics on all fires, especially "suspicious fires and incendiary fires." The City of Chicago, which has previously been remiss in providing this data to the State Fire Marshal can no longer be excused from full participation.

We recommended that the arson investigating function in Chicago be returned to the Chicago Fire Department and that the firemen in this unit be given full authority to follow through on arson cases from detection to prosecution. Although conversations have been held on this topic, the Bomb and Arson Unit is still under the Chicago Police Department, however, since our report was issued this department has been authorized to increase staff and investigate all fires.

Finally, our report contained a proposed piece of legislation which would permit the State to license public adjusters, those individuals who adjust fire damage for the insured and represent the fire victim. This Act requires any person who adjusts or settles claims for an insured to be licensed by the Illinois Department of Insurance (D of I). The Act requires an applicant to file a \$5,000 bond with D of I as a protection for parties who may be injured by fraudulent or unfair practices by the licensees.

It is hoped that this bill, which would protect persons who have undergone the traumatic experience of an insurance loss, will be introduced in the next session of the legislature.

B. Illegal Aliens--Joliet

The Commission's investigation of illegal aliens in Joliet was prompted by a Joliet newspaper article which described the city as the "main distribution point for illegal aliens coming into the Chicago area." Senate Resolution 179 which was adopted by the Illinois Senate on June 24, 1977 has a number of specific allegations which the Commission was asked to verify or refute.

In an attempt to substantiate the allegations contained in this article, Commission agents talked to Immigration and Naturalization Service agents (INS), law enforcement officials, illegal Mexican aliens who had been arrested, Hispanic leaders and representatives of businesses in Joliet.

We learned that Joliet should not be considered the "main distribution point" for illegal aliens coming from Mexico, although it must be viewed as a "distribution point of note." There are other cities in the Chicago metropolitan area which are just as attractive to illegal Mexican aliens, and Chicago itself harbors considerably more illegal aliens than Joliet. We did substantiate that Joliet is the headquarters for several family-run smuggling organizations.

Joliet is a popular haven for illegal Mexican aliens for several reasons: there is already a substantial Mexican population; light industry jobs are available which pay well; and the INS rarely gets down to Joliet--so the city has the reputation as a "safe area."

In addition to numerous interviews, we drew heavily from our previous experience with the illegal alien problem in the Chicago Metropolitan area. In 1971, the Commission issued a report to the General Assembly entitled, The Illegal Mexican Alien Problem. In this report we looked at the social and economic impact of the illegal Mexican alien on the State's economy.

As a result of this earlier investigation, our chief recommendation was that the General Assembly pass legislation penalizing employers for knowingly hiring illegal aliens. Unfortunately this legislation did not pass.

Then, in February, 1977, the late Commission Co-Chairman, Representative Joseph G. Sevcik, introduced an amendment to House Bill 230 again designed to prohibit employers from "knowingly hiring" illegal aliens in Illinois. That bill, prepared by the Commission, passed the house and died in the Senate. Shortly after that bill failed, the Senate passed Resolution 179 which authorized this investigation of illegal aliens in Joliet.

We concluded that the problem in Illinois has snowballed since our 1971 report, meanwhile the INS budget and manpower has remained about the same. We also concluded that the State of Illinois really has limited capability or authority to deal with this problem because jurisdiction to arrest and deport illegals is vested solely with the INS.

It is clear that Mexicans come to Joliet, Chicago, and other cities in the United States for jobs--money, pure and simple. And as long as they can continue to be assured of access to jobs, they will continue to come in droves to avoid Mexico's poverty. Therefore, the Commission once again recommended passage of a bill penalizing employers for "knowingly hiring illegal aliens." We realize that this bill is not a panacea and that its only impact will be on the employer who blatantly tries to get away with using cheap labor. But we believe that this bill could have a deterrent effect, if employers are forced to check more closely to see that they are not hiring illegals.

At least ten other states already have similar laws penalizing the employer: California, Connecticut, Delaware, Kansas, Maine, Massachusetts, Montana, New Hampshire, Vermont and Virginia. The Commission surveyed these states to learn if they have enforced this legislation and its impact.

Both the Chicago branch of the INS and the Illinois Department of Labor (IDOL) have reviewed our proposed bill. INS supports the Commission's proposal and IDOL has agreed to work with the Commission on ideas for enforcing the bill, since it is the agency which would most likely be involved.

The Commission also urged businesses to voluntarily cooperate with the INS through programs like "Operation Cooperation," which allows an employer to verify a job applicant's alien registration card with the INS prior to accepting him as an employee.

The Commission recommended that Illinois join other states affected by the growing illegal Mexican alien problem to urge the federal government to take immediate corrective action. Until a national policy is adopted, the State of Illinois is virtually handcuffed. This problem is getting worse and the only hope the Commission sees is to take some of the incentive out of coming to the United States by making jobs harder to secure.

C. Natural Gas Utility Rates

The Commission's investigation into natural gas utility rates was initiated in response to consumer complaints about the tremendous increase in utility bills following the frigid winter of 1976-1977. House Resolution 21, sponsored by Representatives Adeline J. Geo-Karis and Virginia B. Macdonald, was adopted by the House on March 3, 1977. The resolution asked the Commission to "investigate the propriety of the procedures used in estimating utility charges" specifically for natural gas.

Our investigation focused on six major gas utilities in the State which together provide service to about 90 percent of the population: Peoples Gas, Light & Coke Company; North Shore Gas Company; Northern Illinois Gas Company; Illinois Power Company; Central Illinois Public Service Company and Central Illinois Light Company. We examined the billing practices, procedures for estimating bills, history of rate increases and policy on service cut-offs and late payments for each of these companies.

We also took a close look at the Illinois Commerce Commission, the agency responsible for regulating utilities in the state and protecting the public interest. We reviewed the agency's authority under the Public Utilities Act, its organizational structure, oversight of rate increase requests, and concern for consumer complaints.

The Commission looked at the ICC's handling of rate increase requests and recommended that the hearing process be altered to accommodate consumer complaints. The ICC is in the process of revising its "Rules of Practice" governing hearing procedures and the proposed revisions should be adopted in early 1979. These revisions are intended to improve the consumer's ability to challenge actions taken by the utility companies and are favored by our Commission.

The Commission also recommended that the ICC immediately fill vacant staff positions and that an interdisciplinary "Policy Analysis and Research Division" be created to examine contemporary regulatory issues and anticipate future problems generated by the forecasted shortage of energy. The Commission recommended that the ICC introduce an electronic data processing system to help in reviewing the numerous rate cases.

During the course of our investigation, we learned that a number of factors caused the sharply higher utility bills that winter and every subsequent winter. The largest chunk of a consumer's bill is set in Washington, D. C. by the Federal Energy Regulatory Commission (FERC), long before the

local gas company or the ICC get involved. The FERC sets the "wellhead price" for gas--or the price of producing the natural gas from on-shore or off-shore wells. This cost is typically 60 to 65 percent of the total consumer bill and has been rising steadily. As these costs rise they are automatically shifted to the consumer through the "purchased gas adjustment clause."

Another reason for the sharp increase in heating bills was the simple fact that more gas was consumed that winter because of the freezing temperatures. As a result some gas utility companies had to purchase emergency gas which was sold at a premium during this period when demand was high.

We learned that many gas companies in Illinois rely heavily on newly found gas, mostly from off-shore wells, which also results in higher gas prices than gas discovered before 1973 from existing wells. The consumer in effect ends up paying for the cost of exploration and transmission of this gas from the well to homes in Illinois. Some Illinois utilities have constructed simulated natural gas plants which produce synthetic gas to help boost their on-hand supply. This gas likewise costs almost three times as much as newly discovered off-shore gas, and again these costs are passed on to the consumer.

In public testimony before the ICC, we learned that some gas company officials even attribute conservation practices of energy-conscious homeowners to the need for higher gas prices.

In the final report, the Commission made four legislative recommendations. One of the most frequent criticisms of utility companies is that they file rate increases constantly, one after another. To remedy this situation, the Commission recommended that utility companies be prohibited from filing for rate increases immediately after a prior proposal has been denied or only partially approved. The Commission suggested that the State enact a "statutory period of repose" of one year from the last action taken by the Illinois Commerce Commission. During this one year period, no rate increase request could be filed except under extraordinary conditions.

In order to protect the consumer from unwarranted rate increases, the Commission recommends that mandatory hearings be initiated before any increase is approved by the ICC. The Commission also recommended that "all customers affected by a proposed rate change receive personal notice that the utility company has filed a request before the ICC."

During the course of this investigation, it was noted that utility companies often appeal unfavorable ICC orders to courts which are known to be "pro utility" -- in other words a friendly court. In order to eliminate forum-shopping on the part of utilities appealing unfavorable rulings, the Commission recommended that appeals be permitted only to the circuit court of the county in which the largest number of the utility's customers reside.

Finally, the Commission noticed that public utility customers currently cannot receive restitution for that portion of a rate increase later found to be excessive by an appellate court. Therefore, the Commission recommended that the ICC be given authority to establish "temporary rates following the completion of an appeal of a Commission order." The temporary rates should reflect as accurately as possible the amount of underpayment or overpayment of utility rates made during the pendency of the appeal."

D. Redlining--Homeowners' Insurance (INTERIM REPORT)

On April 25, 1978, the Illinois Senate adopted SR 283 directing the Commission to investigate "the policies, practices and patterns of Illinois insurance carriers relative to their providing homeowners' insurance for property located within older neighborhoods and geographical areas in the Chicago area. . ."

This resolution was adopted in response to growing allegations that Illinois insurance carriers were withdrawing, perhaps illegally, from large sections of the Chicago area insurance market.

The interim report contained a brief summary of the positions of community groups, the Department of Insurance and select representatives of the insurance industry regarding the apparent difficulty of obtaining homeowners' insurance in portions of Chicago.

Community groups documented cases where an individual's homeowners insurance was non-renewed, cancelled or denied for questionable reasons. In other instances we learned of phenomenal annual rate increases for individuals living in certain neighborhoods of the city, without appropriate justification.

A study commissioned by the Illinois Department of Insurance and prepared by Anton Valukas last October, concluded that there is a definite insurance availability

problem in the Chicago area. "There are geographic areas in which homeowners have great difficulty in obtaining insurance and must pay substantially higher premiums as a result of discriminatory practices." Several insurance company officials acknowledged that some Chicagoans have difficulty in securing insurance coverage through the standard market.

For many homeowners in the city, the only coverage that they can purchase is through the Illinois FAIR Plan (an industry sponsored program designed to provide basic fire and hazard insurance to applicants in urban areas unable to secure insurance through the private market). The FAIR Plan has recently changed and now offers a program of full homeowners coverage comparable to that offered in the standard market although typically at a higher cost--since presumably a higher risk is being insured.

Community groups contend that many companies operating in the State are "redlining" which they define as establishing underwriting guidelines and subsequently rate decisions solely on the basis of a property's location. State law prohibits the denial of insurance on the basis of geographic location, however, community groups argue that this law should be expanded so that rate discrimination based solely on geographic location would also be prohibited. Other community groups have suggested that the Department of Insurance be given the power to regulate rates throughout the State, and that the Department be staffed so that it could effectively enforce existing laws.

The insurance industry, on the other hand, flatly denies charges of redlining. Instead, it argues that market conditions and increased risk of certain property led to the restricted availability of insurance and increased rates in some areas. Past experience in certain areas of the city does play a role in deciding whether to underwrite a risk. The industry is opposed to further government regulation of insurance rates and instead says that the market will correct itself. The increased coverage now offered by the FAIR Plan is another example of industry's reaction to the lack of availability.

The Department of Insurance has been quite critical of insurance companies for failing to take steps more quickly to solve the problem of lack of availability of homeowners' insurance in certain areas of the city. The Department generally agrees with the insurance industry that market conditions rather than blatant redlining are the principal source of the problem. However, it agrees that restrictive government regulation is not the answer.

This interim report summarized the various points of view on this topic and left conclusions and recommendations for the final report which should be issued early in 1979.

E. Sexual Child Abuse

The Commission's investigation into sexual child abuse in the state, specifically child pornography, followed published reports that children were being used in pornographic pictures, films and magazines as well as for homosexual and heterosexual acts of prostitution.

House Resolution 41, sponsored by Representatives Peter P. Peters and James C. Taylor, was adopted by the House on March 23, 1977 and contained a number of specific allegations which our investigators have researched.

Through a variety of undercover operations, the Commission has learned that it is quite easy to develop contacts with young males for the purpose of taking pornographic pictures and/or performing sexual acts. This can be done by directly contacting young males in certain areas of Chicago; the most popular being the Greyhound Bus Station, the Diversey, Clark and Broadway area and Uptown. However, child pornography is not limited to the city, the suburbs as well report incidents. Another means of purchasing child pornography is through one of several mail-order companies which advertise in underground newspapers and magazines. During the course of our investigation we identified numerous "boy-love" journals as well as some journals directed to individuals who prefer sex with young girls. Often these publications are forced out of business because of pressure by law enforcement or from lack of financial support. However, for every magazine that disappears, typically a new one evolves.

We have found that although child pornography does not currently appear in many of the Chicago metropolitan area adult bookstores overtly, it still can be secured covertly by preferred customers. Passage of Illinois' harsh child pornography law last January has removed this material from plain view.

As a result of the Commission's undercover activities, we were able to supply information to law enforcement officials leading to the arrest of two individuals, Donald W. Witt and Clarence R. Barnett. Donald W. Witt was convicted on December 12, 1977 of exhibiting and selling obscene material to our Commission investigator. He pleaded guilty to both counts. The Judge chose to strike the charge of exhibiting obscene material, but placed him on one year court supervision for the sale of obscene material. Witt was also ordered to provide the Commission with any information he had regarding child pornography and/or child prostitution.

Again through an undercover operation, the Commission was able to provide information to the Indianapolis Police Department which led to the arrest of an Indiana church minister involved in child pornography. Clarence R. Barnett was charged December 13, 1978 with "offering to distribute obscene material" which is punishable with up to four years in jail. Barnett was arrested after selling several pictures of young, naked boys engaged in sexual activities to our Commission agent.

The Commission also provided information at a "aggravation hearing" where new information bearing on the sentencing of Robert Cleveland of Chicago was heard. Cleveland had previously been convicted on February 15, 1978 of taking indecent liberties with a ten year old boy. In the meantime, Commission investigators uncovered information which linked Cleveland to sexual involvement with several male youths in a small resort town in Wisconsin. At the Commission's request, three male youths appeared at the "aggravation hearing" to testify against Cleveland. After hearing testimony from one youth who admitted having sex with Cleveland, the Judge ordered psychiatric examination of Cleveland. Cleveland was sentenced to four years felony probation, and a fine of \$2,000 was imposed. Cleveland was also ordered to report to the Judge every 60 days on his progress with the psychiatrist.

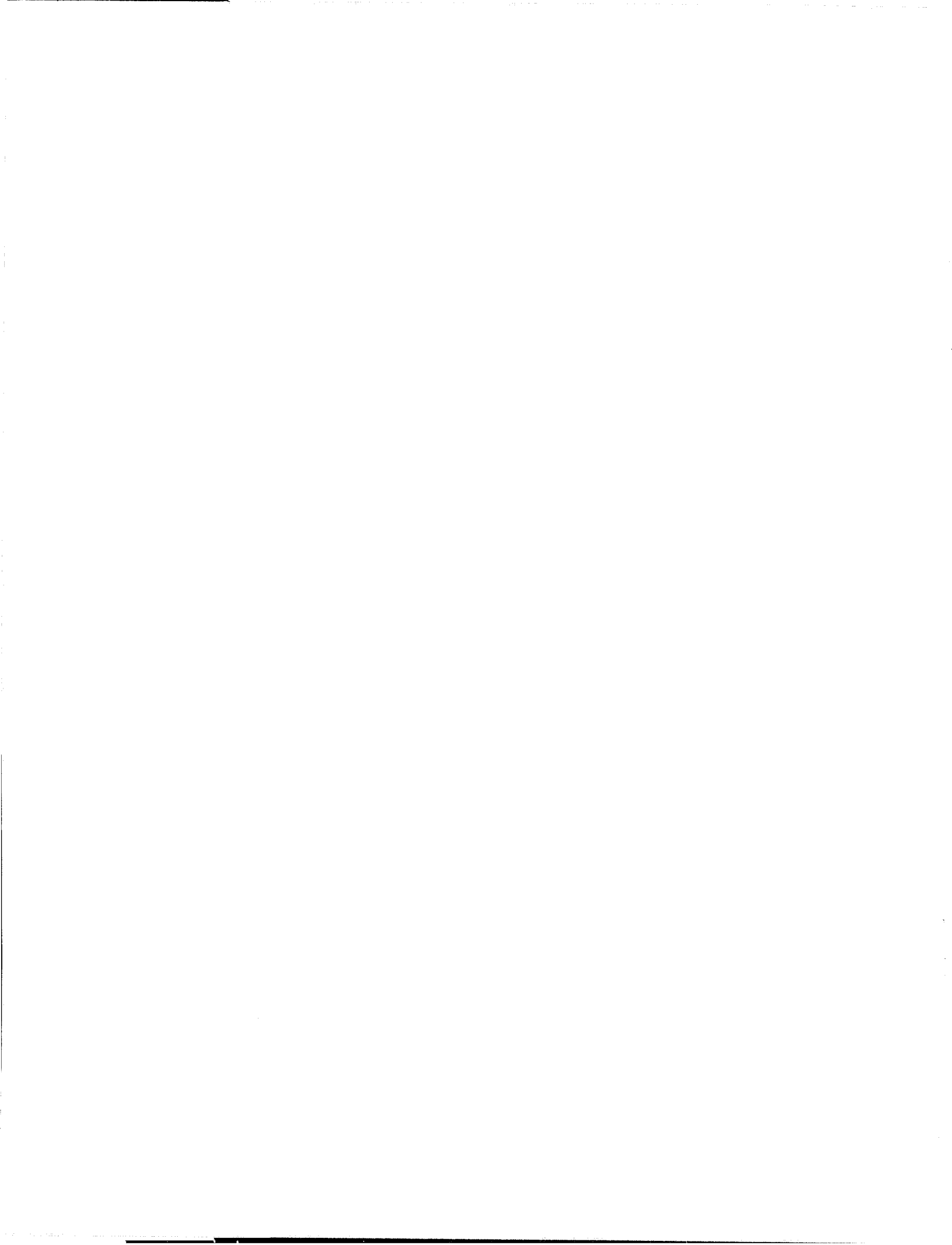
The Commission continues to provide information to other law enforcement officials and to cooperate with local law enforcement agents to uncover cases of child pornography here and across the country.

During the course of our investigation we also talked to youths--typically runaways who admitted involvement in child pornography schemes. Often these youths got involved in sexual activities as a means of earning money to buy drugs and subsist as runaways. The youth is often from a broken family and/or a product of foster homes. Some were victims of incest at an early age. Child pornography becomes a way of life for them--a means of survival.

During the course of our investigation, new legislation was passed at the federal and state level which imposes harsh penalties on individuals convicted of sexually exploiting children. The federal bill known as the "Protection of Children Against Sexual Exploitation Act of 1977" became law February 6, 1978. This law is aimed at anyone "who employs, uses, persuades, induces, entices, or coerces a minor to engage in sexually explicit conduct for the purpose of producing any visual or print medium, . . . if said person knows or has reason to know that the medium will be transported or mailed in interstate or foreign commerce." Punishment can be a fine up to \$10,000 and/or imprisonment up to 10 years.

This federal law also prohibits the distribution or sale of obscene material involving minors.

Illinois responded to the child pornography problem by passing HB 286 with amendments on January 3, 1978. This law deals with offenses involving the sale, delivery, and exhibition of child pornography. Conviction can lead to imprisonment of one to three years and/or a fine up to \$25,000. This law also makes it an offense to produce child pornographic pictures or films. An individual convicted of this offense can be sentenced to 4 to 15 years in prison and/or a fine up to \$50,000.



Chapter 3

PENDING INVESTIGATIONS

A. Auto Insurance Abuses

A series of newspaper articles alleging possible wrongdoing on the part of "high-risk" auto insurance companies prompted Senate Resolution 435, which directs the Commission to look into this matter. This resolution was sponsored by Senator Robert J. Egan, et al., and passed November 18, 1976.

The Commission was asked to determine whether these companies "unduly delay settlement" and payment of claims, and to determine whether these companies have created volumes of litigation which has added to the backlog in the Cook County courts.

Commission investigators have interviewed a number of individuals who have filed complaints against the high risk auto insurance companies with the Illinois Department of Insurance. The same complaints keep reappearing: unsatisfactory settlement of claims; delays in settlements; shoddy repairs; abusive treatment by insurance officials. In each case we checked the insured's story against that of the high risk auto insurance company involved. In many instances we found that the insurance companies operated within the letter of the law--however their ethics and the manner in which the insured was treated could be called into question. Above all, we learned that "unsatisfactory" repair work is indeed a subjective judgment.

We concentrated on the activities of several "high risk" insurers in the State. Commission investigators have also been examining documents and records obtained from the courts and select insurance companies. After interviewing several judges, we learned that court backlogs are steeped with third party liability claims. However, there were few third party property damage claims. Several judges affirmed the allegation that "high risk" insurance companies were partly to blame for the ongoing court backlog. In many cases, delays and continuances drag the cases on indefinitely.

In a number of cases, we did find evidence that the auto insurance company unduly denied settlement on a claim and we did find evidence of shoddy workmanship.

But most important, we have learned that the consumer, who feels himself a victim of these high risk auto insurance

companies has few remedies. The Illinois Department of Insurance handles complaints from consumers. However, in most instances it will simply review the case and inform the consumer that the problem relates to a disagreement over the facts of the matter and that the dispute can only be resolved through court litigation. In effect, the Department of Insurance listens politely but administratively, and legally can do very little to remedy a consumer's complaint.

Our final report on this topic will include conclusions and legislative recommendations addressing the problems uncovered during the investigation.

B. Museums

Our investigation of museums in Illinois came about in response to Chicago Tribune articles implicating officials of the George F. Harding Museum in a secret plan to pocket proceeds from the sale of the Museum's art work--valued at several million dollars. These articles disclosed that the Museum's Directors continued to collect hefty annual salaries in spite of the fact that the museum operated at a deficit for several years. It was alleged that these salaries were being paid by selling off selected works of art from the collection.

Following these disclosures, the Illinois Attorney General filed suit against the Museum to halt the further sale of art works and to remove the directors for breaching their fiduciary duties. This case is tangled in a web of legal maneuvering. The Illinois Attorney General's office also filed suit against the museum charging that it was holding collections of art for charitable purposes and therefore, should be required to register with the State.

In March, 1978, the Illinois Appellate Court ruled in favor of the Attorney General and found that the Harding Museum is indeed a charitable organization and therefore must file financial statements with the State. This ruling reversed a 1976 Circuit Court ruling on the same matter and requires the trustees of the Harding Museum to make full financial disclosure to the Illinois Attorney General's office.

House Resolution 1026, adopted November 30, 1976, authorizing the Commission's investigation of museums goes beyond the details of the Harding Museum case. This resolution directs the Commission "to investigate certain activities of museums, and especially the Harding Museum of Chicago, with particular concern for the duties of trustees to be accountable to the public and propriety of selling museum works,

and to make recommendations concerning the adoption of legislation covering the duties and responsibilities of museum trustees and the necessity of prior public notification of the sale of museum holdings...."

Because of the pending suit by the Illinois Attorney General's office against the Harding Museum, we have not pursued our investigation of this particular institution. Instead, we have been consulting with officials from the other major museums in Chicago, throughout the state and nationwide regarding their policies of deaccessioning (selling off) works of art and the role of museum trustees. During 1978, Commission staff attended an informational seminar on the legal problems of museum administration, sponsored by the American Law Institute and the American Bar Association.

Thus far in our investigation, we have been able to conclude that the role of trustees and museums is indeed an ethical question--one which has received little attention to date in Illinois or anywhere in the country. And since cases similar to the alleged irregularities at the Harding Museum have occurred elsewhere in the country--legislation may be the appropriate remedy.

C. Hazardous Landfills

Senate Resolution 119, sponsored by Senator Vincent Demuzio and passed June 24, 1977, directs the Commission to investigate the regulation, transportation and disposal of hazardous wastes in Illinois.

This resolution followed the discovery that polychlorinated biphenols (PCBs) were being deposited at a landfill site on the outskirts of Wilsonville, Illinois. Since PCB's have been identified as carcinogens, the residents of this small southern Illinois town were concerned that the water supply might become contaminated. Even greater concern was generated when Earthline Corporation, which operates the landfill, and the Illinois Environmental Protection Agency (IEPA)--which regulates landfills, refused to identify other hazardous wastes being deposited at the same site. Earthline also refused to identify the source of those wastes, claiming that such disclosures might compromise trade secrets.

The problem became more than a local issue when landfill operators throughout the state and the IEPA refused to answer these same questions regarding other landfill sites that handle hazardous wastes. Documents which identify the quantity, type and source of hazardous waste being deposited in Illinois are simply not available to the general public.

As a result of these findings, our Commission was given the task of: 1) identifying all hazardous wastes being deposited in Illinois; 2) determining where they are being deposited; 3) evaluating the qualifications of both the IEPA officials who regulate the landfills and the landfill operators who handle hazardous wastes; and 4) evaluating the threat posed by the transportation of hazardous wastes.

The Commission was also asked to develop proposals with regard to the long term maintenance of sites where hazardous materials are deposited in order to protect the health and safety of current and future generations of Illinois citizens. This resolution also calls on the Commission to develop a procedure that would allow the public to be fully informed about the materials, at the same time protecting trade secrets from being compromised.

The Commission has discovered incidents of illegal dumping and evidence of poor maintenance at sites holding potentially dangerous material. However, the biggest problem we have found is the lack of safe disposal sites in the State.

Investigators have examined IEPA permit applications for more than 30 landfills in Illinois and interviewed select individuals. We have also talked with officials from the United States Environmental Protection Agency, the Illinois Attorney General's office, the Metropolitan Sanitary District, the Chicago Environmental Control Department and the Illinois Institute for Environmental Quality. Government and private industries' studies on the impact of potentially dangerous landfills have also been reviewed.

The Commission has additional interviews with hazardous waste haulers and operators planned. We also intend to closely review the IEPA regulations and determine what authority they actually have in this matter and to evaluate how they have used that authority.

D. Child Abuse Deaths

Margaret Kennedy, former Director of the Illinois Department of Children and Family Services (DCFS), reported that 75 youths (many under three years old) were known to have died of abuse during the 1978 fiscal year which ended June, 1978. In addition, a record 13,453 cases of suspected child abuse and neglect were reported during that same period, according to DCFS.

News media reports of increased child abuse deaths and criticism of DCFS led to the adoption of House Resolution 776

on April 26, 1978, asking the Commission to investigate the matter.

This resolution, sponsored by Aaron Jaffe, et al., directs the Commission to; thoroughly examine "...the responsibilities, activities and records of all agencies that deal with the child abuse problem, ...determine administrative and legal requirements for developing a coordinated effort to detect, report and reduce the incidence of child abuse in the state..." and verify criticism that DCFS has been mishandling cases of child abuse.

Commission investigators have conducted interviews with medical personnel, several social workers and public aid caseworkers who are mandated by law to report suspected cases of child abuse and neglect. We have learned that it is one thing to notice evidence of child abuse and quite another to take the extra step to report it to the appropriate authorities. The tendency among a number of individuals who deal with cases of child abuse is to try to keep the family together regardless of the cost.

A key component of this investigation will involve reviewing select cases of child abuse handled by DCFS--both those involving emotional and/or physical injury and those which ended in death. The capability of DCFS and other involved agencies to handle these matters will be evaluated.

E. Railway Merger

The economic impact of the proposed merger between the Burlington Northern and St. Louis-San Francisco Railway Company on the State is the subject of an investigation authorized by House Resolution 974, adopted June 30, 1978.

The resolution points out that the merger applicants have predicted that this transaction would divert millions of dollars of freight revenues from 11 railroads operating in Illinois. And the resolution alleges that the "proposed merger if consummated would also adversely affect employees of the Burlington Northern, Inc. and the St. Louis-San Francisco Railway Company, as well as other named railroads." The resolution asks the Commission to examine the merger application and "determine the extent of economic harm that the proposed merger would cause to our State." Although the resolution makes the assumption that the merger will adversely affect the State, the Commission intends to keep an open mind and consider all sides of the issue.

This merger application was filed with the Interstate Commerce Commission (ICC) in December, 1977. Preliminary public hearings have already been held on the matter in Washington, D. C. and Chicago. All testimony must be received by the Administrative Law Judge handling the case by December, 1979 and a final decision on the request is due around June, 1980.

In the meantime, the Illinois Department of Transportation (IDOT) is monitoring all the proceedings in this case in an attempt to formulate a position on behalf of the State. IDOT has retained an economist and legal counsel in Washington, D. C. to recommend a position for the State. By law, any state which might be affected by the proposed merger is invited to submit testimony on the matter. IDOT intends to make public its position by March, 1979. Our Commission intends to work closely with IDOT throughout this investigation.

The merger would combine the Burlington Northern's more than 24,000 miles of track stretching across the northwestern states with the Frisco's 5,000 miles of track south and west of St. Louis and Kansas City. If approved, an "end to end" merger of continuous track would be established. The complete scheme would encompass a 30,000 mile line crossing 25 states. Burlington Northern tracks would extend from points in the Pacific northwest through Wyoming, Minneapolis and St. Paul to the Frisco tracks which would carry goods as far as the Gulf of Mexico.

If the merger is approved, the applicants calculate that the following 11 railroads operating in Illinois will lose freight revenues as indicated:

\$6.7 million from the Atchison, Topeka and Santa Fe Railway Company;

\$3.1 million from the Milwaukee Road;

\$1.9 million from the Chicago North Western

\$2.5 million from the Consolidated Rail Corporation;

\$4.5 million from the Chicago Rock Island and Pacific Railroad Company;

\$6.5 million from the Illinois Central Gulf;

\$6.5 million from the Louisville and Nashville Railroad Company;

\$7.9 million from the Missouri Pacific Company;

\$.6 million from the Baltimore and Ohio Railroad;
and

\$1.4 million from the St. Louis-Southwestern Rail-
way Company.

So far, at least eight of the eleven railroads mentioned in the resolution have protested the merger and asked the ICC for certain concessions in the event that the merger is approved. The protestants want exclusive trackage rights in many cases, open gateways, and other specific conditions placed on the merger applicants. The bartering for these concessions goes on publically through the hearings and cross-examination process before the Administrative Law Judge, and privately with direct negotiations between the affected carriers and the applicants.

Other parties involved in the case include labor interests, (the Railway Labor Executives Association), other states, the United States Departments of Justice and Transportation, and shippers who might be affected by the merger.

Commission investigators have reviewed applicable portions of the merger application, sifted through some of the testimony submitted to date and interviewed ICC officials. Next, we will attempt to work closely with IDOT reviewing its findings on the topic and evaluating its resulting position. We intend to interview select carriers, labor officials, shippers and transportation experts.

F. Cook County Governing Commission

Personnel and service cutbacks at Cook County Hospital and the threat that another hospital might be forced to close altogether sparked the adoption of House Resolution 1053, which asks the Commission to investigate the responsibilities and performance of the Cook County Health and Hospital Governing Commission.

The Governing Commission, receives appropriations from the Cook County Board to oversee the financial operation of Cook County Hospital. This resolution sponsored by Representative Michael J. Madigan and adopted June 30, 1978, asks the Commission to investigate

...the current administration and financing of the Cook County Health & Hospitals Governing Commission to determine the specific causes of the crises which have resulted

in personnel and service cutbacks at the facilities under its jurisdiction, to determine if the Commission has maintained a legal and proper relationship with the Cook County Board in the preparation, submission, review and approval of appropriations for expenditures for health and hospital services under State law, and to determine the ramifications of the current funding dilemma on the delivery of needed service to the residents of the County..."

This is the second time that our Commission will examine the role of the Cook County Governing Commission and its oversight responsibilities with Cook County Hospital. We submitted an earlier report to the General Assembly in 1972 entitled, Cook County Hospital, following threats that the hospital would be closed. At that time, our Commission concluded that the hospital's costs and expenditures, (which were monitored by the Governing Commission) "...were well within national averages and far below those prevailing at private hospitals in the Chicago area."

In our report, we recommended that the Cook County Board tighten its budgetary control over the Governing Commission by clarifying the language in the "Hospital Governing and Commission Act of 1969" which describes the duties and powers of the Governing Commission.

This investigation has just begun. We intend to talk with all the members of the Governing Commission, members of the Cook County Board, select hospital officials, both administrators and staff, public interest groups and other government agencies responsible for health services.

G. Self-Service Gas

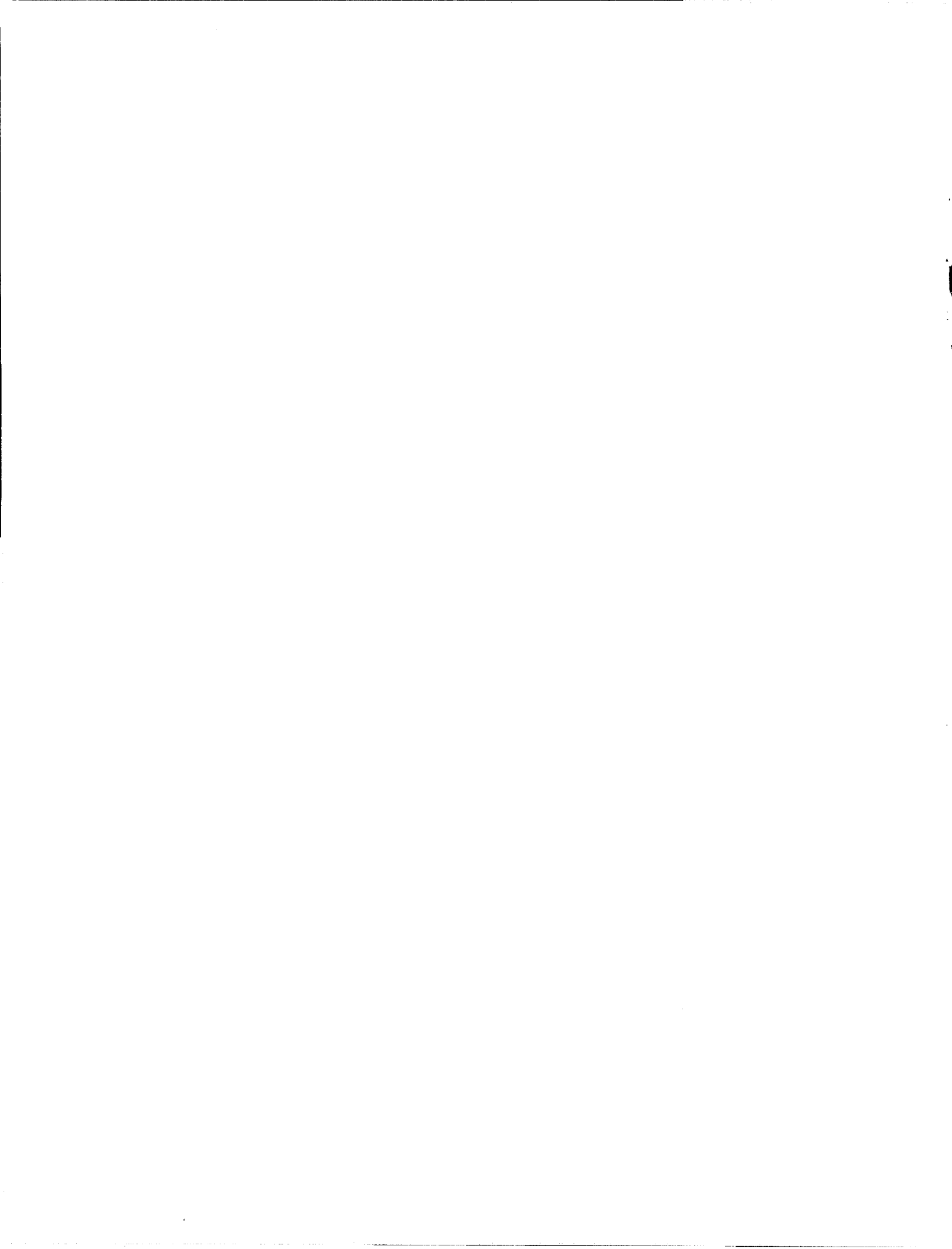
Self-service gasoline outlets, which had previously been prohibited by the State Fire Marshal's office, are now sanctioned in outlying municipalities under Home Rule Authority. And in May, 1977, Chicago passed an ordinance permitting them.

The response among consumers, oil companies, gas suppliers and dealers seems to be mixed. Consequently, bills regarding self-service gas--both pro and con, have been introduced before the Illinois General Assembly.

Because of the controversy stimulated on this topic, the Illinois House directed our Commission to look into several allegations concerning gas prices and the fiscal relationship between big oil companies and franchised dealers and operators.

House Resolution 150, sponsored by Representatives Edmund F. Kucharski, Calvin L. Skinner and Adeline J. Geo-Karis was passed July 1, 1978. This resolution questions the harmful affect to consumers and independent service station owners from certain major oil companies shooting for higher profits and accordingly driving their dealers out of business. Allegedly, with fewer dealers, oil companies could operate self-service gas stations more profitably with a lower overhead. This resolution also asks the Commission to consider the benefits or detriments of self-service gas sales to the consumer.

Our investigation is in the infant stage. Our investigators will interview self-service operators, franchised dealers, employee managers and station owners in Illinois and bordering states to learn of their experiences with self-service gas. In addition, we will examine the role of the independent gasoline dealer and the major oil companies with self-service stations. We have also been asked to "what extent have self-service sales kept down gasoline prices in our bordering states and other states." And we will consider the effect, if any, of self-service gas sales on the price of gas.



Chapter 4

OTHER RELATED MATTERS

A. Pending Litigation

Our investigation into the relationship between community groups and realtors was authorized by House Resolution 651 adopted March 3, 1976 (which deals with the practices of community groups involving realtors) and House Resolution 703, adopted May 20, 1976, (which concerns realtors dealings with community groups).

At the outset of our investigation, we interviewed a number of realtors doing business in Chicago, and a variety of community groups interested in preserving their neighborhoods and countering alleged panic-peddling and block-by-block resegregation. In addition, we spoke with urbanologists, human relations commissions, State and federal government officials, and other interested parties.

However, on September 28, 1976, the Metropolitan Area Housing Alliance (MAHA), five of its member organizations and the Village of Park Forest South petitioned the United States District Court for the Northern District of Illinois, seeking to have HR 651 declared unconstitutional. The suit also asked that the Commission's enabling Act and regulations be declared unconstitutional as applied to this investigation, and that a preliminary and permanent injunction enjoining the investigation be granted.

The other parties to the suit are; the Homeowners Federation, Northwest Austin Council, Southwest Community Congress, Northwest Community Organization, and Oak Park Community Organization.

The Commission investigators attempted to interview Plaintiffs' to solicit their views on the topic, however, all attempts were thwarted. On advice of their counsel interviews were declined. Throughout this investigation the Commission has attempted to talk with all interested parties to learn their views and recommendations. As a result of this suit it has become impossible to go further and get a balanced point of view.

Because of this lawsuit, our investigative efforts into this matter were curtailed during 1973. Our Commission Counsel along with the Illinois Attorney General's Office continue to handle this case. Important legal precedents are expected to

be established as a result of this lawsuit. The litigation is currently near the end of the discovery stage.

In a matter of first impression, the District Court ruled in favor of the Commission declaring that the informers and governmental documents privilege (heretofore executive agency privilege) could be extended to a legislative commission. The court also ruled that the First Amendment does not override a State agency's discovery needs, despite the fact that the information sought to be discovered is sensitive and in other situations, possibly privileged.

At this time, the Court is conducting an in camera inspection of the Commission's files on the six plaintiffs to determine if the contents are essential for preparation of plaintiffs' case. Earlier, the court ruled that non-party files were not essential and denied that discovery request. It is expected that the court will rule on the use of the Commission's files by the plaintiffs in February, 1979, and the matter should then be set for trial.

It has always been the position of the Commission that this investigation is of critical importance to the people of this state and will have far-reaching implications to the community group/real estate industry relationship. It is hoped that once these legal questions are resolved the Commission can recommend constructive legislative and agency changes to remedy this problem area.

Cartolano v. Tyrell, et al., 75 C 4274

In December, 1975, Anthony T. Cartolano, President and Director of the now defunct New Melrose Fireworks Display Company, filed a civil rights action in United States District Court, alleging that certain State employees had conspired against him to destroy his business and reputation.

Among the named defendants was former Commission Executive Director, Charles Siragusa, who was sued because of his role in certain events which led to the publication of the Commission's Fireworks report in June, 1974. Cartolano sought judgment against each of the defendants in the sum of one million dollars, plus punitive damages. In October, 1976, Siragusa was stricken from this action.

However, in February, 1978, Plaintiff was permitted to alter his complaint. Once again Siragusa was declared a defendant in this case along with former Chief Investigator Howard O. Roos and Thomas R. Hampson, currently a Senior Investigator with the Commission.

Both Siragusa and Roos were stricken from the action with prejudice due to Plaintiff's failure to serve them within a reasonable time. Hampson, who was the only one properly served, remains the sole Commission defendant. In his behalf, Commission Counsel filed an answer to the Third Amended Complaint in June, 1978.

Hampson is being sued in both his official and individual capacity (along with the Sheriff and various Deputy Sheriffs of McHenry County and the Chairman of the McHenry County Board) as a result of his participation in the undercover investigation of Cartolano. This investigation was conducted pursuant to HR 414, adopted in June, 1973, which authorized the Commission to examine the fireworks industry in Illinois. The legislature was reacting to several dangerous explosions; one of them at Cartolano's company, and the other serious incidents which had occurred in the industry.

Hampson's role in the alleged "conspiracy was limited to his participation, along with Roos, in an undercover purchase of Class B and Class C explosives from Cartolano. Cartolano has alleged nothing more than what is contained in the Fireworks report, and the Commission believes that the claims against Hampson are frivolous.

It is anticipated that a memorandum in support of Hampson's Motion for Judgment on the Pleadings or, Alternatively, for Summary Judgment will be filed with the Court in February, 1979.

B. Investigation of the Illinois Department of Corrections Placement and Treatment Practices, HR 27

On June 18, 1978, the House adopted HR 27 which asked our Commission to investigate the "Illinois Department of Corrections' actions in placing and treating persons who have been sentenced for serious felonies."

The scope of this investigation was to include an examination of work release programs, the reasons for site selection in placement programs. The report was due October 1, 1978.

In the interim, Rep. Joseph C. Mudd, sponsor of the resolution, informed us that the "House Select Committee on Treatment and Placement of Criminals," (of which he is chairman) conducted the investigation called for in HR 27. Rep. Mudd advised the Commission that "the committee addressed itself to HR 27, held hearings, reported its findings to the whole House and he feels that there is no reason to duplicate these actions. I feel that the request (made in HR 27) has been satisfied."

C. Arsons

In our May, 1978 report on Arsons, the Commission recommended that the arson investigating function be returned to the Chicago Fire Department (it is currently a component of the Police Department), and that the firemen in this unit be given full authority to follow through an arson case from detection to prosecution. Following our report, discussions between the Fire Department and Police Department were held on this matter.

In December, 1978, Police Superintendent James O'Grady announced that the Chicago Police Arson Unit would be almost doubled in size in 1979 and would begin scrutinizing all fires, not just the suspicious ones. Plans call for boosting the number of arson investigators from 27 to 50, and a commander will be assigned to head the expanded unit.

In the same report, the Commission recommended that the FAIR Plan revise its underwriting criteria so that it is not left insuring every delapidated property in the State and indirectly assisting arson-for-profit schemes. In response to our recommendation and pressure from the insurance industry, the underwriting criteria has been revised so that the FAIR Plan will take a closer look at the property and the individual that they insure.

In our report we noted the lack of accurate statistics on arsons in Illinois and nationally. We recommended that arson be transferred from a Part II crime to a Part I crime in the FBI Uniform Crime Reporting Statistics. So far, the FBI has resisted pressure to make this change because of doubts over the validity of available arson data. Instead, the FBI has asked Congress to fund a study by the bureau to produce more reliable statistics on the extent and nature of the crime.

In September, 1978, Acting Executive Director Ronald Ewert and Senior Investigator Thomas Hampson shared the findings and recommendations of our Arson report in testimony before the United States Senate's Permanent Subcommittee on Investigations (which is a component of the Senate Committee on Governmental Affairs).

D. Race Track Messenger Services

In our March, 1977 report on Race Track Messenger Services, the Commission recommended that the State pass legislation banning these private services. At the same time, we recommended that the State consider the establish-

ment of a quasi-governmental off-track betting system similar to that created in New York in 1970. Our report said;

If nothing else, the astonishing growth of the messenger services makes clear beyond any doubt that they provide an extremely popular service. Rather than simply denying the public this service, the State would do well to consider a way of improving upon it.

In December, 1977, Governor James Thompson appointed a Commission on Legalized Gambling to consider the legalization of off-track betting in the State. This Commission recommended that the State legalize off-track betting and allow local and regional municipalities to conduct off-track betting systems.

In June, 1977, the State legislature banned race track messenger services and Governor Thompson publically declared them a "blight on the State of Illinois."

The messenger services went to court and obtained a temporary injunction to stay open while they appealed the constitutionality of the new law. Late in the summer of 1977, the Circuit Court ruled that the new law should stand.

However, this ruling was appealed to the Appellate Court. On April 20, 1978, the Appellate Court ruled that racetrack messengers provided their customers with a service "not unlike any other messenger service," and that "the state's proper role was to tax and regulate them, not prohibit them." Thus the Appellate Court reversed the Circuit Court and permitted the messenger services to stay open.

The State's Attorney General, William J. Scott, appealed the matter to the Illinois Supreme Court. Scott cited the Commission's report on racetrack messenger services before the high court noting that our Commission "found increasing evidence. . . that organized crime had infiltrated some of the messenger services, and that many of them were either booking the bets themselves or laying them off on syndicate-run wire rooms. . ." The high court took note of the Commission's report in its final decision.

The Illinois Supreme Court ruled July 14, 1978 that the state law banning bet messenger services was constitutional and could be enforced immediately. "It is well within the authority of the State of Illinois to limit gambling on horse races to those who are at the track betting for themselves or betting for others only as a courtesy and not for a fee,"

the court said in its unanimous opinion. As a result an estimated 400 racetrack messenger services in the State have been shut down.

E. Fencing

Our May, 1978 report entitled Fencing: Criminal Redistribution of Stolen Property was used as a training manual for police officers in metropolitan Dade County, Florida. The Dade County Public Safety Department Institute on Organized Crime sponsored this 80-hour fencing systems investigation course.

F. Cooperation with Other Governmental Agencies

Our Commission routinely assists local, state and federal agencies through the exchange of information gathered during the course of our investigations. For example, Acting Executive Director Ronald Ewert appeared before the Illinois General Assembly's "Special Joint Committee to Investigate Revenue Losses," and shared the Commission's findings and recommendations from our "Fencing" investigation.

We also shared the results of our investigation into Illegal Aliens in Joliet with the federal "Inter-Agency Task Force on Immigration." This task force was specifically interested in our legislative recommendation that employers who "knowingly hire illegal aliens" be subject to fines up to \$20,000.

All of our requests for the development of investigative leads out-of-state, in furtherance of the Commission's investigations in Illinois, were handled by members of the Law Enforcement Intelligence Unit (LEIU).

Likewise, during the past year, the Commission extended reciprocal assistance to LEIU agencies in certain matters of mutual interest. The Commission's Executive Directors have been members of LEIU since 1963.

G. Fireworks

On March 17, 1978, the Wilmette home of George M. Yule was destroyed by explosives that he harbored there and chemicals used in making fireworks. Yule and nine other persons were injured, including seven police officers and fire fighters. Several other homes in the neighborhood were destroyed.

Following this event, Commission investigators provided information to the State Fire Marshal's office which led to the raid of a near south side warehouse where they found 10 tons of potentially explosive chemicals. These chemicals were found in the warehouse occupied by Harold Dunbar & Co. and Shepherd Bag Co. The Commission provided the State Fire Marshal with Dunbar's name and the location of his warehouse based on information developed during our 1974 investigation of Fireworks: Plant Explosions and Bootleg Traffic in Illinois.

It is suspected that Dunbar may have supplied Yule with chemicals for fireworks, since Chicago police said one of the barrels found in the warehouse bore a shipping label with Yule's name on it. The Dunbar case is under investigation by the United States Treasury Department's Bureau of Alcohol, Tobacco and Firearms.

H. Nursing Homes

During 1975, the Commission conducted two overlapping investigations into nursing homes--Illinois Nursing Homes and a specific investigation of Lake County Nursing Homes in response to a certain alleged improprieties. As a result of these investigations we developed a good deal of information on owners and administrators of nursing homes and their activities. This information was turned over to the appropriate law enforcement agencies and as a result a number of individuals were convicted and received fines, prison sentences or both.

An individual noted in the Commission's Lake County Nursing Home investigation has recently been charged in Milwaukee with criminal neglect of nursing home patients at the Glendale Convalescent Center during 1975 and 1976.

Rabbi Hyman Naiman, of Chicago, was one of the owners charged. Naiman, who owns numerous nursing homes was previously convicted in Illinois federal court of a conspiracy to defraud Medicaid and Medicare by accepting kickbacks from drug companies in return for steering his nursing home business their way. The Commission provided evidence leading to Naiman's conviction.

In a plea bargain, Naiman pleaded guilty and was sentenced to 90 days in the Chicago Metropolitan Correctional Center, placed on 21 months probation and fined \$100,000. His probation ended December 1, 1978.

I. Organized Crime Figures

1. Anthony J. Spilotro

Periodically between January, 1966 and November, 1969, the Illinois Crime Investigating Commission (the predecessor of the Illinois Legislative Investigating Commission) held public hearings on "Criminal Usury in the Chicago Area." One of the juice racketeers identified during the course of this investigation was Anthony J. Spilotro.

Spilotro was subpoenaed to testify at these hearings, however, he invoked his Fifth Amendment privilege against selfincrimination.

Recently, Spilotro's name has come up in Nevada. Our Commission cooperated with the Gaming Division of the Nevada Attorney General's office by providing a copy of our 1970 Report on Criminal Usury in the Chicago Area and the testimony of Spilotro before the Illinois Crime Investigating Commission on February 24, 1968 at public hearings.

Subsequently, the Nevada Gaming Commission added Spilotro's name to its list of persons excluded from the state's gambling casinos. A Nevada casino could face revocation of its gaming license if Spilotro is seen on the gambling premises. Spilotro has also been the subject of a federal investigation alleging that he heads southern Nevada operations for organized crime.

2. California Conference

Acting Executive Director, Ronald Ewert, participated in the California Department of Justice's "4th Annual Organized Crime Conference" in November, 1978. The purpose of this conference is to promote an exchange of criminal intelligence among the participants from law enforcement agencies throughout California and adjacent states.

Ewert was asked to discuss the recent activities of specific organized crime figures who are known to be part of the Chicago syndicate but who have California connections.

3. Mexican Heroin--Arrest of Jaime Herrera Nevarez

The Commission's 1976 Mexican Heroin report described at length the key role played by the Herrera family in heroin production and trafficking. In the past few years several members of this family have been arrested and convicted for heroin trafficking.

In October, 1978, Jaime Herrera Nevarez, described as the "kingpin" of the Herrera family heroin smuggling ring was arrested by Mexican authorities in Guadalajara. Herrera had been sought by Mexican authorities since November, 1977 when he was indicted for smuggling heroin. But word of the charges reached the drug boss before Mexican police could and he fled the country for 11 months.

The Mexican charges against Herrera resulted from the 1977 arrest of two gang members in the ring's Durango (Mexico) headquarters. The two gang members were apprehended in a car carrying 13.9 pounds of heroin. They linked the senior Herrera to this shipment.

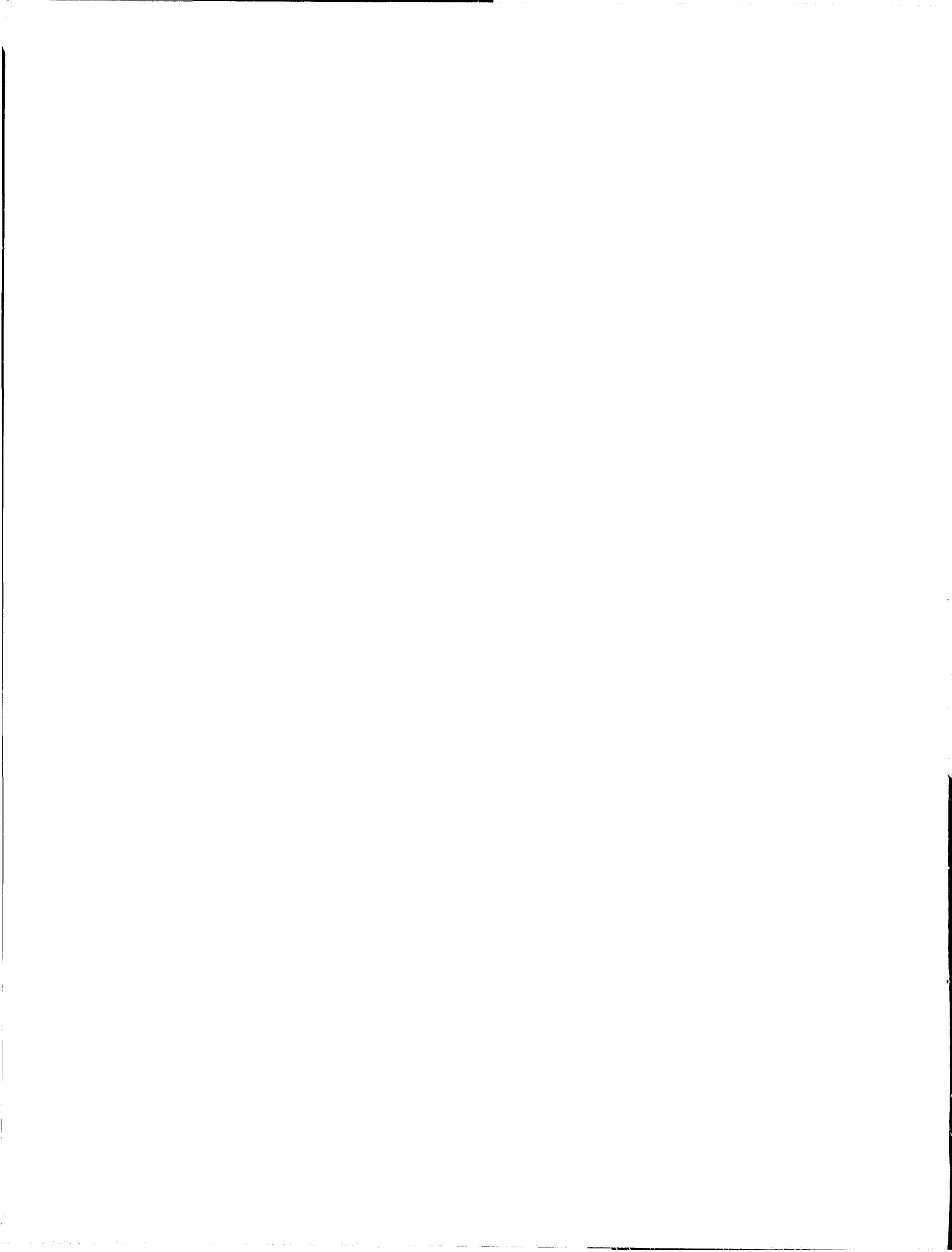
Herrera, 51, heads a ring recently estimated to produce gross revenues of more than \$1 billion a year off heroin trafficking.

J. Other Matters

Ronald Ewert, the Commission's Acting Executive Director has participated in a series of meetings geared towards the establishment of a National Organization of Investigatory Commissions. To date, a constitution and by-laws have been adopted and the following states have shown interest in participating: Hawaii, Illinois, New Jersey, New Mexico, New York, Pennsylvania, and West Virginia.

K. Law Clerk

Over the past few years, the Commission has hired a law student to clerk for its counsels and gain some practical experience with an investigative agency, Ms. Janet Keleher has been with the Commission since June, 1978. She is a third year law student at DePaul University and did her undergraduate work at Loyola University in Chicago. She has been involved in a variety of legal research projects and has spent considerable time researching state and federal laws dealing with child pornography.



Chapter 5

PERSONNEL AND EXPENDITURES

The Commission receives no monies other than General Revenue Fund appropriations granted by the General Assembly.

A. Personnel

Following is a list of the Commission's present employees, including their names, titles and salaries (excepting undercover investigators), as of December 31, 1978:

<u>Name</u>	<u>Title</u>	<u>Salary</u>
Ronald Ewert	Acting Executive Director	\$31,080
	Senior Investigator	21,430
	Senior Investigator	20,080
	Senior Investigator	19,955
	Senior Investigator	19,580
	Investigator	19,200
Marguerite D. Juedes	Associate Writer	18,080
Nancy N. Sander	Counsel	17,505
	Investigator	17,350
Raymond L. Bandusky	Counsel	15,500
	Investigator	14,755
Debra A. Torres	Administrative Clerk	11,300
Sharon Kaminecki	Secretary	10,730
Patricia L. Andrews	Receptionist	9,080
Barbara Greer	File Clerk	7,500

B. Expenditures

From January 1, 1978, through June 30, 1978, the Commission's expenditures were paid out of the 1978 fiscal year appropriation. That appropriation was \$582,400. Expenditures for the first six months of 1978, including those processed during the lapse period, were as follows:

Personnel Services	\$155,275.76
Retirement	11,335.12
Social Security	9,394.13
Contractual	33,215.06
Travel	4,320.20
Commodities	1,470.14
Printing	8,277.93
Equipment	864.80
Telecommunications	8,429.55
Operation of Auto Equipment	<u>6,779.25</u>
Subtotal	239,361.94

From July 1, 1978, through December 31, 1978, the expenditures were paid out of the 1979 fiscal year appropriation of \$571,300. Expenditures for the second six months of 1978 were as follows:

Personal Services	\$120,479.10
Retirement	9,301.98
Social Security	6,181.72
Contractual	24,601.20
Travel	1,231.10
Commodities	320.54
Printing	275.38
Equipment	196.00
Telecommunications	2,199.97
Operation of Auto Equipment	<u>4,751.49</u>
Subtotal	169,538.48

Thus, for the 12-month period ending December 31, 1978, the Commission expended a total of \$408,900.42

Chapter 6

ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION ACT

Section 1. Legislative Intent.] It is the intent of the General Assembly to provide its members with facilities, equipment, authority, and technical staff to conduct investigations, including public hearings, on any matter upon which the General Assembly may legislate.

This Act, and the jurisdiction of the Commission created thereby, is not intended to be in derogation of the jurisdiction of any Grand Jury of any county in the State.

Section 2. Definitions.] As used in this Act:

(1) "Commission" means the Illinois Legislative Investigating Commission created by Section 3 of this Act.

(2) "Person" includes natural persons, public officials, partnerships and associations of persons and corporations.

(3) "Hearing" means a proceeding, whether public or private, held before the Commission or before a designated subcommittee of the Commission.

(4) "Investigation" means a proceeding held anywhere in this State before the Executive Director of the Commission, the Chief Investigator of the Commission or Commission Counsel, at which a person appears for the purpose of giving testimony or producing evidence voluntarily or in response to a subpoena.

(5) "Chairman" includes any co-chairman.

(6) "Commission Counsel" includes the Commission's Chief Counsel, any Associate or Assistant Counsel, or any designee of the Office of the Attorney General selected to represent the Commission.

Section 3. Creation of Commission - Appointment of Members - Terms - Vacancies - Chairmen - Rules.] There is created the Illinois Legislative Investigating Commission, consisting of six members of the Senate, three of whom shall be appointed by the President thereof and three of whom shall be appointed by the Senate Minority Leader; and six members of the House of Representatives, three of whom shall be

appointed by the Speaker thereof and three of whom shall be appointed by the House Minority Leader. The members shall be appointed within 30 days after the effective date of this Act and during the month of June of each odd numbered year thereafter, and shall serve until July 1 of the next succeeding odd numbered year and until their successors are appointed and qualified, except that General Assembly members shall serve until their respective successors are appointed or until termination of their legislative service, whichever first occurs. Vacancies shall be filled for the unexpired term in the same manner as original appointments. Appointments shall be in writing and filed with the Secretary of State as a public record. Members of the Commission shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties. The Commission shall organize, select a chairman and such other officers as it deems expedient from its membership and provide rules for the transaction of its proceedings.

Section 4. Executive Director - Other Employees.]
The Commission shall appoint an Executive Director, who shall devote his full time to the exercise of general supervision of all investigations and proceedings by the Commission. The Executive Director shall receive a salary to be fixed by the Commission.

The Commission may appoint such other employees as it may from time to time find necessary for the proper performance of its duties, and may fix their compensation without regard to civil service laws.

Section 5. Payment of salaries and expenses - Vouchers.] The salaries of the Executive Director and other personnel, and the expenses of the Commission including necessary travel and subsistence expenses incurred by the Commissioners, Executive Director and other employees of the Commission shall be allowed and paid on the presentation of itemized vouchers therefor, approved by the Commission or by any Commissioner it designates for that purpose.

Section 6. Investigative expenses - Accounting procedures and records.] The Executive Director and other employees of the Commission may, when authorized by the Commission, expend such sums from a revolving trust fund, not to exceed \$3,000, as the Commission deems necessary for investigative expenses. The Commission shall maintain a system of accounting procedures and records as developed by the Auditor General to accurately reflect the disbursements

of the amounts spent. These accounting procedures and records will be submitted to the Auditor General annually for review, and subsequently the Auditor General will issue an opinion to the Audit Commission as to the reliability of such records.

Section 7. Reports to the General Assembly and the Governor.] The Commission shall, on or before February 1, 1972, and every two years thereafter, submit a detailed written report of all completed investigations, conclusions drawn therefrom, recommendations for legislation, recommendations for administrative action, the names, salaries and duties of all officers and employees in its employ, and an account of all monies received and disbursed, to the General Assembly and to the Governor. The Commission may omit the names of undercover investigators from its reports.

Section 8. Powers of Commission - Investigations.] The Commission shall only act, with respect to any investigation under the powers conferred upon it by this Act, pursuant to resolutions adopted by the Senate or House or as hereinafter provided in this Section. At any time when the General Assembly is not sitting, the Commission may act by a written resolution authorized by a three-fourths vote of the members appointed to the Commission and signed by both co-chairmen of the Commission. The subject matter of the Commission Resolutions shall be limited to matters which have not been considered by either House of the General Assembly. The Commission, by its own action, may, by subcommittee, or by its Executive Director, or by such agents or agencies as it may designate, conduct any inquiry reasonably related to the specific resolution adopted by either House of the General Assembly or to the Commission's own resolution. Inquiries conducted pursuant to authorization may be conducted within or without the State. A Commissioner participating in such an inquiry shall not be disqualified from subsequently participating in the hearings or reports of the Commission.

Section 9. Principal office of Commission.] The principal office of the Commission shall be in the City of Chicago but the Commission, individual Commissioners and the Executive Director may perform any of their duties, exercise any of their powers, or conduct meetings, examinations and hearings at any other place.

Section 10. Assistance to and from public officers and committees.] The Commission has power to extend assistance to and demand and receive assistance from all State

public officials and employees and may extend cooperation to and request the cooperation of Standing or Special Committees of the Congress of the United States of America, or of the General Assembly of this or any other state.

Section 11. Investigative powers.] The Commission has the power to investigate generally any allegation which if proved would constitute a breach of public trust, a conflict of interest, a crime, a defect or omission from the laws of this State, or malfeasance, misfeasance or nonfeasance within this State.

Section 12. Jurisdiction of Commission.] In each investigation the jurisdiction of the Commission will be established by the terms of the specific resolution adopted by either House of the General Assembly or the Commission itself. Nothing in this Act shall prevent a legislative member of any other State Commission from introducing a resolution in the General Assembly which concerns a matter arising from the activities of his own commission, but which cannot be adequately investigated by his own commission's staff.

Section 13. Hearings - Oaths - Witness' right to counsel - Television, film or broadcast - Opportunity to answer accusations.] The Commission has the power to conduct public or private hearings to accomplish the several purposes and exercise the powers of the Commission, and in that connection to designate a subcommittee of the Commission, to preside over such hearings. Any Commissioner, the Executive Director, or Commission Counsel may administer oaths and affirmations, examine witnesses and receive evidence. A witness at any public or private hearing shall have the right to have counsel present of his own choice, for the purpose of advising him of his constitutional rights. No hearing shall be televised, filmed or broadcast by radio; nor shall any mechanical, photographic or electronic record of the proceedings at any hearing be televised or screened, or broadcast by radio, except upon the written approval of the Commission.

A person accused of an irregularity at a public hearing, who desires to answer the accusation, shall be given the opportunity to do so at the earliest convenience of the Commission or the subcommittee holding the hearing, as the case may be, but not later than 90 days thereafter.

Section 14. Subpoenas.] The Commission may require by subpoena the attendance and testimony of witnesses and the production of documentary evidence relating to any matter under investigation or hearing. The Chairman or the

Executive Director may sign subpoenas which may be served by any Commissioner, the Executive Director, or any agent or public official authorized by the Commission, or by any person lawfully authorized to serve a subpoena under the laws of the State of Illinois. The attendance of witnesses, and the production of documentary evidence, may be required from any location in the State, at any designated place of hearing within the State, and before the Commission as a whole, before a duly constituted subcommittee of the Commission or before the Executive Director or the Chief Investigator of the Commission or the Commission Counsel. Witnesses summoned before the Commission, or a subcommittee of the Commission, the Executive Director, the Chief Investigator or the Commission Counsel shall be paid the same fees and mileage expenses that are paid in the Circuit Courts of the State and witnesses whose depositions are taken and the persons taking those depositions are each entitled to the same fees as are paid for like services in actions in the Circuit Courts of the State. Fees and mileage shall be paid when the witness is discharged from further attendance. In case of disobedience to a subpoena, the Commission may petition any Circuit Court of the State for an order requiring the attendance and testimony of witnesses or the production of documentary evidence or both. A copy of such petition shall be served by personal service or by registered or certified mail upon the person who has failed to obey that subpoena, and such person shall be advised in writing that a hearing upon the petition will be requested in a court room to be designated in that notice before such judge as may be hearing motions or extraordinary remedies at a specified time, on a specified date, not less than three nor more than five days after the deposit of the copy of the written notice and petition in the U.S. mails addressed to the person at his last known address or after the personal service of the copy of that notice and petition upon such person. The court, upon the filing of such a petition, may, order the person refusing to obey the subpoena to appear at a designated place pursuant to any investigation or hearing, or to there produce documentary evidence, if so ordered, or to give evidence relating to the subject matter of that investigation or hearing. Any failure to obey such order of the Circuit Court may be punished by that court as a civil and/or criminal contempt upon itself.

Section 15. Refusal to testify or produce evidence - Self-incrimination - Compelling testimony and production of evidence.] In any examination by or hearing before the Commission, if a person refuses to answer a question or produce evidence of any other kind on the ground that he may be incriminated thereby, and if the Chairman or the Executive Director, in writing, requests a Circuit Court of the State to order that person to answer the question or produce the

evidence, the court shall so order unless it finds that to do so would be contrary to the public interest, and that person shall comply with the order. After complying, and if, but for this Section, he would have been privileged to withhold the answer given or the evidence produced by him, that person shall not be prosecuted for or on account of any transaction, matter or thing concerned which, in accordance with the order, he gave answer or produced evidence. He may, nevertheless, be prosecuted or subjected to penalty or forfeiture for any perjury or contempt committed in answering, or failing to answer, or in producing or failing to produce, evidence in accordance with the order. The court shall not order any such person to testify or produce evidence if it reasonably appears to the court that such testimony or evidence, documentary or otherwise, would subject such witness to an indictment, information or prosecution (except for perjury committed in the giving of such testimony or the producing of such evidence) under the laws of another state or of the United States.

Section 16. Rules and Regulations.] The Commission may from time to time make, amend and rescind such rules and regulations as may be necessary to carry out the provisions of this Act, including rules and regulations for calling and holding meetings of the Commission. A copy of all rules and regulations and amendments or rescissions thereof shall be filed with the Secretary of State within a reasonable time after their adoption.

Section 17. Severability of invalid provisions.] If any provision of this Act or the application thereof to any person or circumstance is invalid, such invalidity shall not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

Section 18. Case law concerning Crime Investigating Commission - Applicability - Short title.] All previous case law concerning the former activities of the Illinois Crime Investigating Commission developed by State and federal courts is applicable in relevant provisions to the Illinois Legislative Investigating Commission.

Section 19. Short Title.] This Act shall be known and may be cited as the "Illinois Legislative Investigating Commission Act."

Section 20. Repealer.] "An Act creating a commission to investigate crime, enumerating the powers and duties of such commission and making an appropriation therefor," approved June 20, 1963, as amended, is repealed.

Chapter 7

RULES OF PROCEDURE

ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION

(As amended to December 14, 1972)

Rule 1. Investigations.] No major investigation shall be initiated except those authorized by the Illinois Legislative Investigating Commission Act, Ill. Rev. Stat. ch. 63 §§308 et seq. (1971). However, preliminary inquiries may be initiated by the Commission staff with the approval of either co-chairman of the Commission.

Rule 2. Subpoenas.] Subpoenas for attendance of witnesses and the production of memoranda, documents and records shall be issued by the Executive Director of the Commission or by either co-chairman. Said subpoenas may be issued for the questioning of prospective witnesses by the Executive Director, or a co-chairman, either in private or before the full Commission, or any subcommittee thereof.

Rule 3. Meetings.] (a) Call by Chairmen. Either co-chairman shall have the authority to call meetings of the Commission. A co-chairman shall not schedule any hearings or series of hearings outside the State of Illinois without giving at least 48 hours notice thereof to the members of the Commission.

(b) Call by Commission Membership. Should a majority of the membership of the Commission request the co-chairmen in writing to call a meeting of the Commission, then in the event the co-chairmen should fail, neglect, or refuse to call such meeting within 10 days thereafter, such majority of the Commission may call such meeting by filing a written notice thereof with the Executive Director, who shall promptly notify in writing each member of the Commission.

Rule 4. Quorum.] Any seven members of the Commission shall constitute a quorum for the purpose of taking testimony under oath in any given case or subject matter before the whole Commission. A co-chairman may, however, appoint subcommittees for the purpose of taking testimony. The membership of each subcommittee so appointed by a co-chairman shall consist of not less than three members of the Commission. Such subcommittee may include the co-chairman making the appointments. A minimum of two members of the Commission must be present when any evidence is taken by any subcommittee.

Rule 5. Witnesses.] (a) Testimony Under Oath. All witnesses at public or executive hearings who testify to matters of fact shall be sworn.

(b) Right to Counsel. Counsel retained by any witness and accompanying such witness shall be permitted to be present during the testimony of such witness at any public or executive hearings, and to advise such witness while he is testifying, of his legal rights. Provided, however, that no attorney who is employed by a governmental agency may appear on behalf of any governmental officer, official, or employee who is called to testify. This rule shall not be construed to excuse a witness from testifying in the event his counsel is ejected for contumacy or disorderly conduct; nor shall this rule be construed as authorizing counsel to suggest answers to the witness, reply for the witness, or otherwise interject himself as a surrogate witness. The failure of any witness to secure counsel shall not excuse such witness from attendance in response to subpoena.

(c) Interrogation. Interrogation of witnesses at Commission hearings shall be conducted by Commission members, by the Executive Director, or by the Chief Counsel of the Commission.

(d) Submission of Questions; Cross Examination. No person who is the subject of interrogation at public hearings may submit to the Commission questions in writing for the cross examination of other witnesses called by the Commission. With the consent of a majority of the members of the subcommittee present and voting, these questions shall be put to the witness by any member of the subcommittee, by the Executive Director, or by the Chief Counsel of the Commission.

(e) Request to Appear. Any person whose name is mentioned or who is specifically identified, and who believes that testimony or other evidence presented at a public hearing, or comment made by a member of the Commission or its staff, tends to defame him or otherwise adversely affect his reputation may: (1) request to appear personally before the subcommittee to testify on his own behalf: or, in the alternative (2) file a sworn statement of facts relevant to the testimony or other evidence or comment of which he complains. Such request and such statement shall be submitted to the Commission for its consideration and action.

Rule 6. Prepared Statements.] Any witness desiring to read a prepared or written statement in public or executive hearings shall file a copy of such statement with the Chief Counsel or any co-chairman of the Commission 24 hours in advance of the hearings at which the statement is to be presented. The Commission shall determine whether such statement may be read or placed in the record of the hearing.

Rule 7. Preservation of Testimony.] An accurate stenographic record shall be kept of the testimony of all witnesses appearing at public and executive hearings. The record of his own testimony whether in public or executive session shall be made available for inspection by the witness or his counsel under supervision. A copy of any testimony given in public session or part of the testimony given by the witness in executive session and subsequently quoted or made part of the record in a public session shall be made available to any witness at his expense if he so requests.

Rule 8. Secrecy of Proceedings.] All testimony taken in executive session of the Illinois Legislative Investigating Commission, and all statements or comments made by Commission members or others in attendance at executive session shall be kept secret and will not be released for public information without the approval of a majority of the Commission. All other testimony, evidence or data, except that which is adduced in the course of a public hearing, which constitute products of the investigative efforts of the Commission or its staff, including all memoranda, photographs, recording tapes, films, records, and files, shall be kept secret and will not be released for public information without the approval of a majority of the Commission. This section shall not apply to any documents or files which are part of the public domain, such as transcripts of public hearings, published materials, and materials which have previously been released for public inspection.

Rule 9. Staff Appointments.] All staff members shall be confirmed by a majority of the Commission. After confirmation, the co-chairmen shall certify staff appointments to the State Comptroller in writing.

Rule 10. Proceedings to Grant Immunity.] (a) A request to grant a witness immunity pursuant to Section 15 of the Illinois Legislative Investigating Commission Act shall be made only after the refusal of the witness to testify upon constitutional grounds before a meeting of the Commission followed by written authorization signed by a majority of the Commission.

(b) A request to grant a witness immunity under Section 15 of the Illinois Legislative Investigating Commission Act shall be made by a written petition made in the name of the Commission and its Executive Director and addressed to an appropriate circuit court of this State.

(c) Written notice of the presentation of an immunity petition shall be given at least seven days prior thereto

to the Attorney General of the United States or his authorized representative, the Attorney General of the State of Illinois, and to the State's Attorney of the county in which the petition will be presented, and to such other prosecutive officers as the Commission shall direct. In the event written objection to the petition is made by a person entitled to notice thereof, at or before the presentation of the petition, the Chief Counsel of the Commission shall request a continuance of the hearing on the petition and the Commission shall promptly meet and consider its authorization granted pursuant to passage (a) hereof. In the event a majority of the Commission agrees with the objections to the grant of immunity the petition shall be withdrawn. In the event a majority of the Commission disagree with the objections, the Chief Counsel for the Commission shall proceed with the presentation of the petition.

Rule 11. Transcripts of Meetings.] An accurate, verbatim, stenographic record shall be kept of all meetings of the Illinois Legislative Investigating Commission. Immediately following each meeting, the stenographic record shall be transcribed and the transcript of all such meetings shall be considered to be the official record of the meeting. Minutes shall be prepared from the transcripts by the Chief Counsel of the Commission and a copy thereof shall be presented to each Commission member at the next scheduled meeting.

Appendix A

MAJOR INVESTIGATIONS

The Commission has conducted a total of 87 major investigations from 1964 to date. From 1964 through June 30, 1971, the Illinois Crime Investigating Commission's investigations were authorized by its own resolutions. On July 1, 1971, the enabling statute was amended. There were two principal changes: (1) the name was changed to the Illinois Legislative Investigating Commission; and (2) either the House of Representatives and/or the Senate, or the Commission could adopt resolutions to authorize investigations.

Following is a chronological, cumulative list of the Commission's investigations, the predicate resolution numbers, and the dates of their adoption. All the resolutions adopted by the various entities are abbreviated as: CR (Commission Resolution); HR (House Resolution); HJR (House Joint Resolution); SR (Senate Resolution); and SJR (Senate Joint Resolution).

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
Arsons and Bombings in Cook County	CR 1	July 23, 1965
Juice Racket (Criminal Usury)	CR 2	July 23, 1965
Organized Crime Ownership of Legitimate Business	CR 3	July 23, 1965
Gambling in St. Clair County	CR 4	September 20, 1965
Gambling in Lake County	CR 5	September 20, 1965
Gambling in Illinois	CR 6	September 20, 1965
Organized Crime Activities in St. Clair County	CR 7	September 20, 1965
Juice Racket (Criminal Usury)	CR 8	November 17, 1965
Vending Machines Racket	CR 9	August 1, 1966
Ticket Brokerage Business	CR 10	October 17, 1966

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
Trucking Industry	CR 11	October 17, 1966
Vending Machines Racket (Public Hearings)	CR 12	December 5, 1966
Vending Machines Racket	CR 14	March 11, 1967
Organized Crime in Rosemont	CR 15	March 11, 1967
Cook County Jail	CR 16	March 14, 1967
Attendant Service Corporation	CR 17	May 19, 1967
Grant of Immunity to Phil Tolomeo and Roy Sears	CR 18	April 15, 1967
Retail Occupational Tax Evasion	CR 19	July 21, 1967
Alleged Official Miscon- duct in Sangamon County	CR 20	September 23, 1967
Alleged Official Miscon- duct in Calumet Park	CR 21	September 23, 1967
Beauty Culturists Associa- tion of Chicago	CR 22	September 23, 1967
Organized Crime in Illinois	CR 23	November 4, 1967
Alleged Official Miscon- duct in Addison	CR 24	January 20, 1968
Grant of Immunity to Chris Cardi and Patsy Ricciardi	CR 25	February 24, 1968
Alleged Misconduct in Sangamon County (Public Hearings)	CR 26	April 26, 1968
Cigarette Tax Evasion	CR 27	September 21, 1968
Organized Crime in Cairo	CR 28	September 21, 1968
Organized Crime in Alex- ander, Jackson, Pulaski, Union, and Williamson Counties	CR 29	November 23, 1968

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
Organized Crime in La Salle	CR 31	January 8, 1969
Alleged Official Miscon- duct in Oak Forest	CR 32	February 28, 1969
Seventh Step Foundation	CR 34	May 6, 1969
Manufacture of Gambling Paraphernalia	CR 35	July 12, 1969
The SDS Riots in Chicago	SR 171 CR 38	October 21, 1969 November 24, 1969
Infiltration of Organized Crime in Elk Grove Village Legitimate Business	CR 37	October 22, 1969
Traffic of Narcotics and Dangerous Drugs	CR 39	September 12, 1970
Illicit Traffic in Stolen Securities	CR 41 HJR 119	March 10, 1971 June 23, 1972
Illegal Mexican Aliens	CR 1	August 16, 1971
Credit Card Fraud	CR 2 HJR 114	August 16, 1971 January 13, 1972
Failure of City Savings and Loan Association	CR 3 HJR 115	September 13, 1971 January 13, 1972
Intrastate Airlines	CR 4 HJR 97	October 27, 1971 November 11, 1971
Cook County Hospital	CR 5 HJR 103	November 12, 1971 December 13, 1971
Charges by Oscar A. Weil	HJR 134	May 15, 1972
State Building Contracts: Golabowski, Spinney and Coady	SJR 72	May 25, 1972
Peoria State Hospital	HJR 146	June 26, 1972

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
State Building Contracts: Capitol Rehabilitation Project	SJR 79	June 30, 1972
Illinois Racing Board Dates	HR 847	December 15, 1972
Illinois Horse Racing: Legislation and Criminal Practices	HR 219	April 27, 1973
Abuse of Medical Prescrip- tions for Dangerous Drugs	HR 285	May 8, 1973
Elgin State Hospital	HR 382	June 1, 1973
Fireworks Plant Explosions and Bootleg Traffic	HR 414	June 14, 1973
Funding Irregularities at Three State Universities	HR 289	June 30, 1973
Redlining: Home Improve- ment Loans	HR 321	June 30, 1973
Fencing (Criminal Redis- tribution of Stolen Prop- erty)	CR 6	December 17, 1973
Redlining: Discrimination in Residential Mortgage Loans	HR 753	March 6, 1974
Illinois Extended Care Center	HR 785	April 17, 1974
Chemical Leak at Bulk Terminals Tank Farm	HR 852	April 29, 1974
South Cicero Avenue Bridge	HR 858	April 30, 1974
Illinois Water Pollution Control Program	HR 965	May 28, 1974
Drug Abuse in Secondary Schools	HR 995	June 6, 1974

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
Lawrence Carr Amusement Company	HR 5	June 21, 1974
Rental Lease in Granite City	HR 733	June 29, 1974
Auto Repair Abuses	HR 1010	July 1, 1974
Kane County Jail	HR 1111	July 1, 1974
Ada S. McKinley Community Services	HR 1069	July 1, 1974
Allegations of Corruption in Motor Vehicles Division of Secretary of State	CR 7	September 17, 1974
Aldermanic Campaign Fund Solicitation Letter	SR 8	January 29, 1975
Lake County Nursing Homes	HR 1277	February 7, 1975
Ku Klux Klan	HR 146	March 25, 1975
Illinois Nursing Homes	HR 115	April 22, 1975
Joliet Prison Riot	HR 228	April 29, 1975
Dan Ryan Expressway Rehabilitation Project	HR 215	May 28, 1975
Mortgage Lenders' Kickbacks to Real Estate Brokers	HR 342	June 28, 1975
Medical Licensing	HR 438	June 30, 1975
Mexican Heroin	HR 529	November 4, 1975
Illinois Bureau of Investigation's Project: Borderline Tavern	HR 548	November 19, 1975
Real Estate Testers Realtors (Expansion of HR 651)	HR 651 HR 703	March 3, 1976 May 20, 1976
Delinquent Tax Sales	HR 833	May 20, 1976
Interstate 55 Barricades	HR 856	May 26, 1976

<u>Investigation</u>	<u>Resolution</u>	<u>Date of Adoption</u>
Auto Insurance Abuses	SR 435	November 18, 1976
Museums in Illinois	HR 1026	November 30, 1976
Race Track Messenger Services	SR 447	December 2, 1976
Currency Exchanges	HR 1088	December 16, 1976
Arsons in Illinois	SR 474	December 16, 1976
Utility Rates-Natural Gas	HR 21	March 3, 1977
Sexual Child Abuse	HR 41	March 23, 1977
Hazardous Landfills	SR 119	June 24, 1977
Illegal Aliens-Joliet	SR 179	June 24, 1977
Redlining-Homeowner's Insurance	SR 283	April 25, 1978
Child Abuse Deaths	HR 776	April 26, 1978
Self-Service Gas	HR 150	June 30, 1978
Railway Merger	HR 974	June 30, 1978
Cook County Governing Commission	HR 1053	June 30, 1978

Appendix B

PUBLICATIONS BIBLIOGRAPHY

Following is a listing of publications produced by the Illinois Crime Investigating Commission from 1965 through 1970, and by its successor agency, the Illinois Legislative Investigating Commission, from 1971 to date.

1965 REPORT TO THE 74TH GENERAL ASSEMBLY

For the years 1963, 1964

Published February, 1965, 19 pages

1967 REPORT TO THE 75TH GENERAL ASSEMBLY

For the years 1965, 1966

Published February, 1967, 21 pages

1969 REPORT TO THE 76TH GENERAL ASSEMBLY

For the years 1967, 1968

Published February, 1969, 32 pages

THE S. D. S. RIOTS

October 8 - 11, 1969, In Chicago, Illinois

Published April, 1970, 799 pages

JUICE RACKETEERS

Report on Criminal Usury in the Chicago area

Published June, 1970, 148 pages

1971 REPORT TO THE 77TH GENERAL ASSEMBLY

For the years 1969, 1970

Published February, 1971, 28 pages

THE ILLEGAL MEXICAN ALIEN PROBLEM

Published October, 1971, 48 pages

THE DRUG CRISIS

Report on Drug Abuse in Illinois

Published October, 1971, 376 pages

THE FAILURE OF THE CITY SAVINGS ASSOCIATION

Published January, 1972, 112 pages

1972 REPORT TO THE 77TH GENERAL ASSEMBLY

Activities of 1971

Published February, 1972, 40 pages

REPORT OF CHARGES OF LEGISLATIVE CORRUPTION MADE BY ONE OSCAR A. WEIL

Published June, 1972, 18 pages

INTRASTATE AIR OPERATIONS IN ILLINOIS

Published July, 1972, 180 pages

CREDIT CARD FRAUD IN ILLINOIS

Published September, 1972, 264 pages

COOK COUNTY HOSPITAL

Published November, 1972, 188 pages

STATE BUILDING CONTRACTS

Involving the Architectural Firm of Golabowski, Spinney & Coady

Published December, 1972, 112 pages

1973 REPORT TO THE 78TH GENERAL ASSEMBLY

Activities of 1972

Published February, 1973, 56 pages

PEORIA STATE HOSPITAL

Published February, 1973, 80 pages

ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION ACT

Act and Rules of the Commission

Published February, 1973, 15 pages

THE ILLINOIS RACING BOARD CONTROVERSY

Published March, 1973. 124 pages

ILLICIT TRAFFIC IN STOLEN SECURITIES

Published October, 1973, 96 pages

STATE BUILDING CONTRACTS

Involving the Capitol Rehabilitation Project and Other Building Contracts from 1962 - 1972

Published October, 1973, 188 pages

1974 REPORT TO THE 78TH GENERAL ASSEMBLY

Activities of 1973

Published March, 1974, 48 pages

ILLINOIS HORSE RACING

A study of Legislation and Criminal Practices

Published March, 1974, 292 pages

"RED LINING"

Alleged Discrimination in Home Improvement Loans

Published March, 1974, 96 pages

FUNDING IRREGULARITIES IN PRESIDENTIAL HOUSING AT THREE STATE UNIVERSITIES

Western Illinois, Eastern Illinois, and Illinois State
Published April, 1974, 128 pages

FIREWORKS

Plant Explosions and Bootlet Traffic in Illinois
Published June, 1974, 360 pages

PATIENT DEATHS AT ELGIN STATE HOSPITAL

Published June, 1974, 264 pages

LAWRENCE CARR AMUSEMENT COMPANY

Published June, 1974, 69 pages

THE SOUTH CICERO AVENUE BRIDGE CONTROVERSY

Published October, 1974, 41 pages

ABUSE OF MEDICAL PRESCRIPTIONS FOR DANGEROUS DRUGS

Published November, 1974, 352 pages

RENTAL LEASE IN GRANITE CITY

For the Use of the Illinois Bureau of Employment Security
Published January, 1975, 60 pages

ANNUAL REPORT FOR 1974

Published January, 1975, 134 pages

KANE COUNTY JAIL

Published March, 1975, 96 pages

ALLEGATION THAT RECORDS OF TRAFFIC VIOLATIONS WERE ILLEGALLY REMOVED FROM FILES OF DRIVER'S LICENSE DIVISION OF SECRETARY OF STATE

Published April, 1975, 14 pages

THE KU KLUX KLAN IN ILLINOIS

First Interim Report to the General Assembly
Published May, 1975, 13 pages

REDLINING

Discrimination in Residential Mortgage Loans
Published May, 1975, 428 pages

ALDERMANIC CAMPAIGN FUND SOLICITATION LETTER

Alleged Conflict of Interest
Published June, 1975, 80 pages

THE JOLIET CORRECTIONAL CENTER RIOT OF APRIL 22, 1975

Published June, 1975, 48 pages

CHEMICAL LEAK AT THE BULK TERMINALS TANK FARM
Published June, 1975, 204 pages

AUTO REPAIR ABUSES
Published June, 1975, 204 pages

ILLINOIS WATER POLLUTION CONTROL PROGRAM
Published June, 1975, 32 pages

ADA S. MCKINLEY COMMUNITY SERVICES
Published June, 1975, 56 pages

SEVEN PATIENT DEATHS AT ILLINOIS EXTENDED CARE CENTER
Published June, 1975, 244 pages

THE KU KLUX KLAN IN ILLINOIS
Second Interim Report to the General Assembly
Published October, 1975, 12 pages

DAN RYAN EXPRESSWAY REHABILITATION PROJECT
Published January, 1976, 160 pages

MEDICAL LICENSING IN ILLINOIS
Published January, 1976, 48 pages

ANNUAL REPORT OF 1975
Published February 1976, 92 pages

KU KLUX KLAN IN ILLINOIS
Third Interim Report to the General Assembly
Published March, 1976, 12 pages

MEXICAN HEROIN
Published June, 1976, 172 pages

DELINQUENT TAX SALES
Published September, 1976, 72 pages

KU KLUX KLAN
Published October, 1976, 180 pages

MORTGAGE LENDERS' KICKBACKS TO REAL ESTATE BROKERS
Published October, 1976, 84 pages

ILLINOIS BUREAU OF INVESTIGATION'S PROJECT:
BORDERLINE TAVERN
Published January, 1977, 80 pages

ANNUAL REPORT OF 1976
Published February, 1977, 70 pages

LAKE COUNTY NURSING HOMES

Published February, 1977, 304 pages

RACE TRACK MESSENGER SERVICES

Published March, 1977, 68 pages

CURRENCY EXCHANGES

Published March, 1977, 70 pages

INTERSTATE 55 BARRICADES

Published June, 1977, 37 pages

ANNUAL REPORT OF 1977

Published February, 1978, 65 pages

FENCING

Criminal Redistribution of Stolen Property

Published May, 1978, 70 pages

ARSONS

Published May, 1978, 126 pages

REDLINING--HOMEOWNERS' INSURANCE

Interim Report

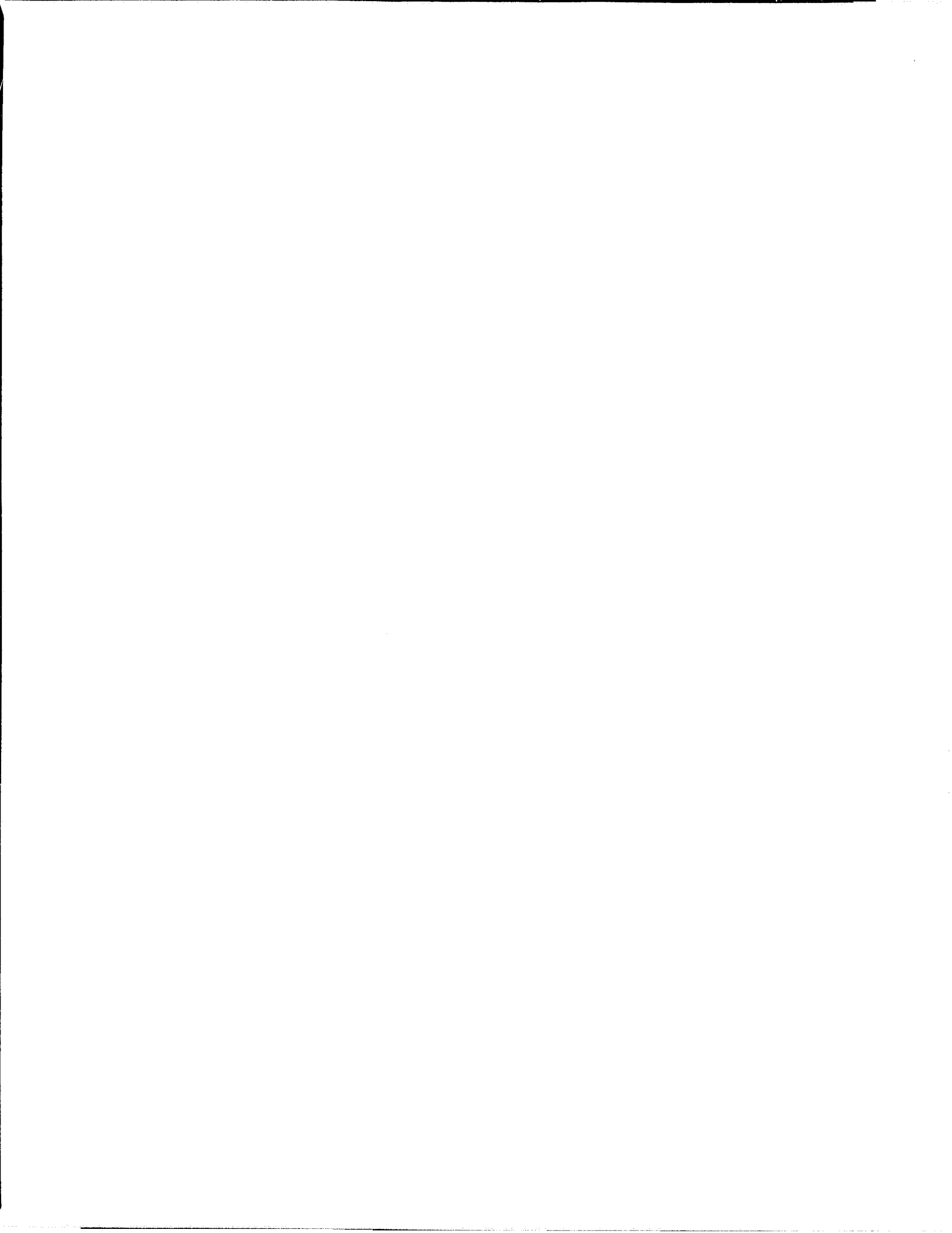
Published June, 1978, 9 pages

ILLEGAL ALIENS--JOLIET

Published July, 1978, 47 pages

NATURAL GAS UTILITY RATES

Published December, 1978, 84 pages



END