

The Civic Federation

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CIVIC FEDERATION SUPPORTS FISCAL DISCIPLINE OF COOK COUNTY FY2013 BUDGET

County still needs long-term plan for structural deficit and pension liabilities

(CHICAGO) In a report released today, the Civic Federation supports Cook County's proposed FY2013 operating budget of \$2.9 billion for its fiscal discipline in closing a \$267.5 million shortfall with expenditure reductions, operational efficiencies and targeted revenue enhancements. The full report, available at www.civicfed.org, highlights the need for a long-term plan to address the County's persistent structural deficit and skyrocketing pension liabilities.

"With this budget, the Preckwinkle administration is continuing its disciplined approach to significant financial challenges," said Laurence Msall, president of the Civic Federation. "These spending cuts, together with initiatives like performance management and managed competition, are making Cook County government a more efficient and accountable steward of public resources." The proposed budget holds the property tax levy nearly flat and marks the fulfillment of Board President Preckwinkle's pledge to fully roll back the ill-conceived 2008 sales tax increase.

Actions taken to close the County's deficit in FY2013 include vacancy eliminations, energy savings, savings from implementing managed competition and proposed new and increased taxes. The County's Health and Hospitals System is also counting on nearly \$100 million of net revenue contingent upon federal approval of the System's Medicaid expansion plan. The Federation's analysis warns, however, that the County's revenue goals may be difficult to achieve because of political uncertainty surrounding the Medicaid plan and its ambitious enrollment goals as well as the likelihood of court challenges to some of the County's proposed new taxes. The Federation urges the County to develop contingency plans in case these revenues are not realized.

Despite great strides to close the FY2013 deficit, the County projects growing structural deficits in future years due to rising healthcare and personnel costs and downward revenue trends. Additional operational reforms will be required to eliminate a persistent gap between the County's revenues and expenditures. The Civic Federation recommends a long-term comprehensive financial planning process that addresses key cost drivers, increases the efficiency of service delivery and stabilizes skyrocketing pension obligations.

The Federation's analysis highlights an alarming drop in the funded status of the County's pension fund, from 74.7% in FY2002 to 57.5% in FY2011. The drop is largely the result of inadequate investment returns and employer contributions that, while meeting State statutory requirements, are not based on actuarially-determined funding levels and as a result have been insufficient to meet the pension fund's needs. The Civic Federation is encouraged by the County's initial steps toward pension reform including the data provided on Commissioner Gainer's OpenPensions.org website. The County must now move forward as soon as possible with identifying sustainable reforms and promoting the necessary legislation in the Illinois General Assembly. "The County's pension fund has not yet reached the tipping point of financial peril but it will be soon without action," said Msall. "Cook County cannot afford to wait for the General Assembly to take the next step."

The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation's website at www.civicfed.org.

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