

NEWS RELEASE
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***COOK COUNTY FY2002 BUDGET MISSES MARK,
FAILS TO MAKE TOUGH CHOICES NEEDED TO
CONTAIN COSTS OR IMPROVE EFFICIENCY***

***County Should Immediately Implement its Own
Operations Review Report, Save \$129 Million***

(Chicago) – The Civic Federation today released a summary of its testimony on the proposed Cook County FY2002 budget. The testimony will be delivered tomorrow before the County Board of Commissioners.

The proposed budget is \$2.7 billion and contains no tax or fee increases. It is balanced with a series of one-time expenditure reductions, such as the elimination of vacancies. However, it makes no long-term or structural changes. Only 3 of the 117 recommendations proposed by President Stroger's County Operations Review Team (CORT) report released in June 2001 have been identified as being implemented. This represents just \$9.8 million out of a possible \$129 million in savings.

“The Civic Federation is extremely disappointed in the overall direction this budget has taken,” stated Federation President John Currie. “We do commend Cook County for holding the line on spending and avoiding a tax increase. But, once again, Cook County has failed to make the tough choices necessary to improve its financial condition or management in the long-term, to improve the efficiency of County operations, or to contain costs.”

“We are very surprised that the County has only implemented 3 of the 117 recommendations proposed by the County's own excellent Operations Review Team report,” Currie continued. “Failing to aggressively implement the report findings of its own cost control report is an underwhelming sign of commitment by the County to actually put its financial house in order. Excellent opportunities for substantial savings simply are being brushed aside.”

The Civic Federation testimony notes that Cook County has faced deficits in two succeeding fiscal years. If the economy does not recovery quickly, the County will face more bad fiscal news during FY2002.

“Because of uncertainty over the economy's future direction, it is imperative that the County undertake measures now that can generate additional budgetary savings and help both policymakers and staff plan strategically for future contingencies,” Curie said “In addition to the immediate adoption of the CORT study proposals, The Civic Federation believes that the County should consider the following recommendations:

- The County should aggressively pursue joint purchasing of health insurance with other Chicago area governments. Forming a joint insurance pool could yield savings of \$40 million in the first year or \$222 million over a 5-year period, with the County being the single biggest beneficiary.
- The County could cut its health insurance costs significantly by increasing employee contributions for their health insurance. Currently, Cook County employees make only a minimal contribution to the cost of their health insurance. This is in contrast with many other governments that require employees to contribute up to 25% of the cost of their insurance
- The County's practice of giving its employees both cost of living and step increases has led to salary increases in excess of the norm. This practice should be reviewed and brought into line with standard public sector practices for additional cost savings.
- The County should adopt structural reforms that can help it develop strategies to address changes in financial condition. These include instituting a formal long-term financial planning process that is shared with key policymakers and adopting formal financial policies.

The Civic Federation testimony also offers cautions to County policymakers on several issues that could have an impact on the FY2002 budget.

- Recent tax refund decisions by the Illinois Property Tax Appeal Board (PTAB) could result in losses as high as \$76 million per year to the County if they are not addressed.
- The FY2002 budget is being balanced in part through the use of \$14 million in working cash interest. This is a one shot action that should not become a standard County financial management practice in the future.
- The County's proposed early retirement package may temporarily boost its bottom line. But, research has shown that early retirement programs don't necessarily cut costs in the long run unless they are carefully structured because of the costs of retirement benefits plus the salaries and benefits of new employees hired to replace retired workers.

"We are very concerned that Cook County has failed to implement the long-term reforms needed to put its financial house in order," Currie concluded. "Simply put, the County's strategy of riding out the economic downturn and hoping for a return to business as usual next year if things improve is not a prudent strategy at all."

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