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CIVIC FEDERATION: COOK COUNTY FACING FINANCIAL COLLAPSE, STROGER'S PROPOSED SPENDING CUTS INESCAPABLE

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CHICAGO – Citing a looming financial disaster, the Civic Federation announced today its **qualified support** for President Todd Stroger's \$3.0 billion spending plan because it faces up to the catastrophic state of the County's finances by making necessary spending cuts. The full text of the Civic Federation's analysis of Cook County's FY2007 budget is available online at www.civicfed.org.

The Civic Federation applauds President Todd Stroger's focus on spending reductions to balance the budget rather than the County's past practice of seeking increased taxes or inflating revenue projections. Although the cuts will be painful, the proposed \$112 million in spending reductions, including the elimination of 2,408.8 positions, is the **only fiscally responsible method** to combat the budget crisis while ensuring that the County will continue to provide its most critical services. Unfortunately, because Cook County has no effective performance evaluation system, the president was limited in his ability to specifically cut lower priority programs, forcing the use of an across-the-board approach. "Across-the-board cuts are not the preferred method to reduce government spending, but the magnitude of the deficit, the lack of any reliable performance data and the fact that the fiscal year has already begun leaves Cook County with no other alternative," said Laurence Msall, President of the Civic Federation.

Although it makes important strides, this budget is far from perfect. The Civic Federation is **very concerned** that the County proposes borrowing \$104.1 million in order to make its annual pension contribution, which is a recurring operating expenditure. We strongly urge the County to reconsider this ill-advised step. "Just as it is unwise to use a credit card to pay for rent or groceries, it is not financially sound to borrow to pay a government's operating costs," said Msall. "We urge the County Board to avoid this pension borrowing by making further spending cuts or implementing additional cost-saving efficiencies."

The Federation also called upon the Stroger Administration and County Commissioners to end the County's overly-generous **optional pension** program that remains open to the County's elected officers. The optional program allows elected officers to contribute an additional 3% of their annual salary in order to qualify for an accelerated annuity. The optional pension sweetener is responsible for more than \$40 million in new expenses this year and the loophole should not be allowed to continue for Cook County Commissioners and other elected officials. "The County's extremely generous pension plan plays a significant role in its annual budget difficulties. It has difficulty funding its regular pension plan, let alone a gold-plated plan for elected officials," said Msall.

In its analysis, the Civic Federation makes additional recommendations on steps the County can take to further reduce spending and increase efficiency:

- Develop and implement an effective performance management system that will allow managers to evaluate programs and prioritize spending so across-the-board cuts will not be necessary next year.
- Implement comprehensive pension benefit reform, including a reduction in benefits for new hires, increased employee contributions, and a cap on annuity increases of 3% or CPI, whichever is less.
- Further reduce personnel costs by increasing employee contributions to health care costs and limiting total annual cost of living increases in employee compensation to 3% or inflation, whichever is less.

The Civic Federation is a 113-year-old nonpartisan government research organization whose members include business leaders from the region's largest corporations, service firms, and institutions.