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CIVIC FEDERATION CANNOT SUPPORT COOK COUNTY'S FY2016 BUDGET *One Percentage Point Sales Tax Increase Unreasonable Given Alternatives*

(CHICAGO) In a report released today, the Civic Federation announced it could not support Cook County's proposed FY2016 budget of \$4.5 billion because it is based on a one percentage point increase in the County's sales tax that will make the City of Chicago an outlier compared to other major urban centers with a composite rate of 10.25%. Most of the sales tax revenue collected in FY2016 will be dedicated to an increased contribution to the County's underfunded pension plan. While the Federation supports the County's efforts to increase pension funding, the magnitude of the sales tax increase is not reasonable given the other available revenue and expenditure reduction options. The full 103-page report is available at www.civicfed.org.

"The Civic Federation is disappointed not to be able to support this budget, which includes many praiseworthy initiatives and is not balanced through gimmicks," said Laurence Msall, President of the Civic Federation. "We additionally support the County's efforts to address its pension liability in the absence of action from Springfield. While past leaders have ignored the pension problem, President Preckwinkle deserves much credit for stepping up and deciding that underfunding ends during her administration." Where the Federation takes issue with President Preckwinkle's plan is with the revenue source and the process the County chose to implement the plan. "The Civic Federation calls on the County to roll back the proposed sales tax rate and instead implement a mix of additional cuts and increased revenues to fund its proposed pension payment."

The FY2016 budget includes a number of initiatives to close a preliminary deficit of \$198.8 million, including a reduction to the tax allocation to the Health System, expenditure reductions such as changes to employee health benefits and some layoffs, as well as some targeted revenue enhancements. Only a very small part of the sales tax increase approved in July 2015 will be used to reduce the preliminary deficit. Instead, most of the projected \$308.0 million in sales tax revenue to be collected in FY2016 will be dedicated to an additional pension payment of \$270.5 million above the statutory level set out in state law.

While the financial condition of the County's pension fund is not as dire as the City of Chicago's funds, every year that goes by without a solution makes the pension problem more expensive and difficult to resolve. However, relying on an ill-advised one percentage point sales tax increase to cover a much-needed increase to pension payments is less than ideal. The County had other options and it would have been preferable if the increased contributions to the County's pensions had been funded by a mix of revenue sources and cuts. Additionally, the introduction and approval of the sales tax increase outside of the budget process meant that Commissioners and the public lost an opportunity to engage in a thorough public discussion of options and alternatives.

The full report also discusses concerns the Civic Federation has with projected future budget deficits despite the sales tax increase. The Federation is also concerned that the County could face litigation over its increased pension contribution, since state law specifies that pension contributions must come from property tax revenues and caps contributions at a multiple of employee contributions made two years prior.

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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