Cook County’s Budget: Long-Term Imbalance Leads to New Pain for Vulnerable Residents

November 14, 2017

1. INTRODUCTION

On October 11, 2017, the Cook County Board of Commissioners voted to repeal a penny-per-ounce tax on sweetened beverages.¹ The FY2018 budget presented by Cook County President Toni Preckwinkle had relied on the sweetened beverage tax to cover just over $200 million of the county’s projected expenditures on services. Now that the tax has been repealed, county officials are considering closing this shortfall by cutting spending on county services the Board of Commissioners previously approved.²

Given that a significant majority of the County’s service expenditures are for the criminal justice system and health programs, it is likely that the cuts will disproportionately impact low-income populations and communities of color.

Cook County’s budget problems go beyond the issues created when Commissioners repealed sweetened beverage tax they previously approved, however. The current need to raise $200 million in revenue or cut $200 million from core programs like health clinics and mortgage foreclosure assistance has been driven by long-term shortcomings in the county’s revenue system. Chief among those shortcomings is the long-term decision made by Cook County Commissioners to maintain the County’s base property tax levy at 1996 levels. Because this levy has not kept pace with inflation for over two decades, it has lost nearly 36 percent of its real value.

2. COOK COUNTY’S UNSUSTAINABLE REVENUE SYSTEM HAS LED TO CHRONIC DEFICITS

Before taking into account the repeal of the sweetened beverage tax, Cook County’s FY2018 preliminary budget gap is $115.3 million. President Preckwinkle proposed to close this gap with $79.8 million of new revenue, mostly membership growth in the CountyCare insurance program; and $35.5 million in spending cuts.³ However, the repeal of the sweetened beverage tax increased the preliminary gap by $200.6 million, bringing the total to $315.9 million.

The county’s gap of $315.9 million is the largest since 2011, when it faced a preliminary gap of $487 million. However, in that time, the county has never entered a budget process with a gap of less than $152.1 million. Furthermore, the county predicts that deficits in the General Fund will be $136 million in FY2019, and will grow to $296 million by FY2022.⁴

The county’s fiscal problems, in other words, are not the result of temporary circumstances, but a structural deficit: Its current revenue system is not designed to support the current level of public services it provides.
A major cause of this imbalance is that many of the county’s revenue sources are growing more slowly than expenses. In fact, 30.7 percent of FY2017 revenues come from sources that are growing more slowly than inflation, while 12.4 percent are actually declining. In other words, fully 43.1 percent of Cook County revenues are losing value in inflation-adjusted terms.\(^5\)

In some cases, this is because the county taxes a product for which sales are declining. For example, county revenues from cigarette taxes are projected to fall by $21 million, or 16 percent, between FY2016 and FY2021 as the incidence of smoking declines.\(^6\)

In the case of property taxes, however, the loss of value was preventable. Under Illinois’ Property Tax Extension Limitation Law, Cook County is allowed to increase the total amount of property tax revenue it collects by the rate of inflation each year.\(^7\) However, Cook County has chosen not to increase its base property tax extension since 1996.\(^8\) Over that period, the county’s base property tax extension has lost more than $400 million of its real value due to inflation, or almost 36 percent, as shown in Figure 2. While new properties on the county’s rolls have added some $40 million to total property tax revenue in that period, they do not come close to offsetting the decline.
Had Cook County simply increased the value of the levy by the rate of inflation since 1996, it would have enough revenue to pay for its anticipated FY2018 expenses with a $200 million surplus—even without the sweetened beverage tax.

3. PROPOSED CUTS WOULD FOCUS ON COUNTY SERVICES FOR THE MOST VULNERABLE PEOPLE

To close the county’s $200 million FY2018 gap, Cook County Board Audit and Finance Committee Chair John Daley asked department heads to propose cuts worth 10 percent of their budgets. These documents, published on October 24, suggest that the cuts required to make up for the loss of revenue from the sweetened beverage tax will cause severe hardship on Cook County residents. These cuts are particularly harsh in the areas of criminal justice and health care, two of the county’s primary responsibilities.

Some of the proposed cuts include:

- In the Circuit Court:
  - Significantly increase caseloads for probation officers. Caseloads are currently 108 probationers per officer, or 21 percent above standards recommended by the Administrative Office of the Illinois Court.
  - Suspend the Mortgage Foreclosure Mediation Program, which assists low-income homeowners through the foreclosure process.
  - Cut the Child Support Enforcement Operation, which may increase the average time to begin collecting child support payments from 4-6 months to 9-12 months.
  - Cut services for the Public Guardian office, which advocates on behalf of abused children.
  - Cut the Juvenile Detention Alternatives program by 50 percent, which may result in more children being sent to detention facilities.

- In the Inspector General’s office:
  - Eliminate a full-time investigator position.

- In the Sheriff’s office:
  - Close a branch court on the South Side of Chicago, and a district courthouse in suburban Bridgeview.
  - These savings produce only about half of the required amount.

- In the Health and Hospitals System:
  - Close the Oak Forest clinic, and reduce service at two other centers.

- In the State’s Attorney’s office:
  - End the prosecution of certain crimes in order to accommodate the elimination of 100 positions.

- In the Public Defender’s office:
  - Eliminate 45 staff and 62 open positions.
  - Increase caseloads significantly from 255 per felony attorney and 780 per misdemeanor attorney per year. American Bar Association guidelines suggest no more than 150 cases per felony attorney and 400 per misdemeanor attorney.

These cuts target services for homeowners undergoing foreclosure; parents seeking child support payments; patients at county health clinics; children in the criminal justice system; and Cook County residents too poor to afford a defense attorney. Many of the people affected will have few other options to find alternative resources.

On November 13, The Daily Line published a separate proposal from Cook County Board President Toni Preckwinkle’s office for over $200 million in cuts. These cuts would be largely similar to those above, although the State’s Attorney and Public Defender offices would see significantly fewer service reductions.
4. CONCLUSION

Cook County’s slow-growing or declining revenues—including a base property tax levy that has not increased, even in nominal terms, since 1996—have created a structural deficit and chronic budgetary shortfalls. This year, the county planned to rely on a new sweetened beverage tax to fund $200 million in services. However, in October, the Board of Commissioners repealed the tax—shortly after approving it—without any revenue to replace it.

As a result, the county is now facing the prospect of extreme cuts to crucial services, from child support payments to assistance for families facing foreclosures on their homes. These cuts will disproportionately affect some of the county’s most vulnerable residents.

Unless changes are made to Cook County’s revenue system—such as increasing the property tax levy by the amount of inflation so its real value does not decline—the county’s annual revenue growth will continue to fall behind the cost of maintaining its core services. If Cook County residents do not wish to face a yearly choice between service cuts and last-minute revenue fixes, this long-term imbalance will need to be dealt with.
ENDNOTES

3 Cook County FY2018 Bureau of Finance Budget Presentation.
4 Cook County Executive Budget Recommendation Volume One. https://www.cookcountyil.gov/sites/default/files/v1-exec_summary_presrec_web_0.pdf
5 Ibid.
6 Ibid.