

Local Government Fees and User Charges

**A Trend Analysis of the Reliance
on Fees and User Charges of
Five Local Governments in Cook County**



**Prepared by
The Civic Federation
September 1997**

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Five Local Governments in Cook County**

Prepared By

Susan Fortin

The Civic Federation

243 South Wabash, Suite 850

Chicago, Illinois 60604

(312) 341-9603

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Foreword

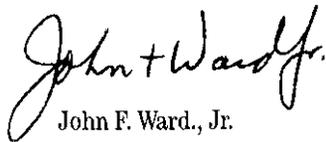
THE CIVIC FEDERATION HAS MONITORED AND EVALUATED the budgetary and financial policies of local governments in Illinois since 1894. Our mission is to promote economy and efficiency in the organization and management of public business and to furnish the public with accurate information concerning governmental revenues and expenditures. Published for the first time this year *Local Government Fees and User Charges* complements The Civic Federation's three other annual data base reports on local government finances: *Property Taxes, Assessments, and Appeals*; *Status of Local Pension Funding*; and *Local Government Long-Term Debt*.

Local Government Fees and User Charges examines trends in the reliance of five local governments in Cook County on fees and charges as a source of revenue from fiscal years 1989–1995. Federal and state policies that place greater responsibilities with local governments, declining federal aid, and initiatives such as property tax limitations, which took effect in Cook County in 1994, place pressure on local governments to find alternative means to finance the goods and services they provide. This report provides four types of data for each government: 1) a description of the types of fees and charges employed; 2) the aggregate growth or decline in revenue from fees compared to all sources of revenue, and the fees that contributed most to the growth in fee revenues; 3) a trend analysis of reliance on non-tax sources of revenue from 1989–1995; and 4) a trend analysis of fees and charges as a percent of total revenues from 1989–1995. The report provides a baseline from which local governments' reliance on fees and charges can be tracked annually to provide a clearer understanding of how goods and services are provided by local governments in Cook County.

The Civic Federation would like to thank the government officials who provided data for the analysis. The City of Chicago's Office of Budget and Management and Comptroller's Office; Cook County's Bureau of Finance and Offices of the County Clerk, the Clerk of the Circuit Court, the County Sheriff, and the Recorder of Deeds; the Chicago Park District's Budget Office; the Metropolitan Water Reclamation District's Office of the General Superintendent; and the Forest Preserve District of Cook County's Office of the Comptroller all provided essential data and reviewed the analysis.

The study was prepared by Susan Fortin, Research Associate at The Civic Federation. Valuable editorial comment was provided by Dr. Woods Bowman, Assistant Professor in the Graduate Program in Public Service at DePaul University and Dr. Roland Calia, Director of Research at The Civic Federation.

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President

About The Civic Federation

The Civic Federation is a nonpartisan government and fiscal watchdog and research organization founded in 1894. The Federation provides three primary services. First, it promotes efficiency and economy in the organization and management of public business. Second, it guards against excessive taxation and wasteful expenditure of public funds. Finally, the organization serves as a technical resource providing objective information regarding state and local governmental revenues and expenditures.

The Civic Federation fulfills its mission by analyzing public finance and government service delivery through research reports and public commentary. Recent research reports have assessed the impact of tax increment finance in northeastern Illinois, evaluated the status of major local pension funds and analyzed Cook County property tax trends.

The Federation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is incorporated as a nonprofit Illinois corporation. For more information, please contact The Civic Federation at (312) 341-9603 or visit our website at <http://www.mcs.net/~civicfed/>.

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Executive Summary

Local governments across the country have increased reliance on non-tax sources of revenue, and fees and charges in particular, over the past two decades. In the face of the tax limitation movements of the later 1970s and early 1980s, and local fiscal crises precipitated by recessions, tax base competition, and changing federal and state policies that decreased local aid, governments have sought means to stabilize and increase revenues without increasing taxes.¹ User charges and fees have been the most rapidly growing source of local revenue.²

Purpose of the Report

The study had four purposes: 1) to explain how fees and user charges are employed as a revenue source; 2) to describe the major types of fees and charges employed by the governments studied; 3) to determine whether a trend toward greater reliance on non-tax sources of revenue, and fees and user charges in particular, exists among local governments in Cook County; and 4) to establish a baseline from which to analyze future trends in local governments' revenue structures.

This study analyzed five major governments from fiscal years (FY1989–1995): Cook County, the City of Chicago, the Chicago Park District, the Metropolitan Water Reclamation District of Greater Chicago, and the Forest Preserve District of Cook County.

The report provides:

1. discussions of the difference between fees and taxes, the various types of charges and fees, and the advantages and limitations of incorporating user charges into a revenue structure;
2. a narrative description of the types of fees and charges used by each government;
3. a comparison of the aggregate growth in revenue from fees to growth in all revenues together for each government from fiscal years 1989–1995 (FY1989–1995); and
4. trend analyses for each government showing the increases or decreases in their reliance on all non-tax sources of revenues and on fees and charges, over the period of the study.

Defining fees and charges, and determining which sources of revenues are classified as fees and charges, is difficult, because governments adopt different classifications. The following section provides background information on the nature of various fees and charges to establish a context for analyzing the individual governments.

¹ C. Kurt Zorn, "User Charges and Fees," in *Local Government Finance: Concepts and Practices*, Government Finance Officers Association, Chicago, IL, 1991, p. 135. Robert L. Bland, "Service Charges and Regulatory Fees," in *A Revenue Source for Local Government*, ICMA, Washington, D.C., p. 5–8, 105.

² Bland, p. 105.

Fees and Charges as a Revenue Source

Distinction between Taxes and Fees

The primary distinction between taxes and fees or charges relates to the nature of the payment involved. Most taxes are compulsory payments by individuals or private organizations to government to pay for general services that may or may not directly benefit the taxpayer. User charges and fees are voluntary payments for a good or service provided by the public sector that are paid by individuals who benefit directly from that good or service.³ Taxes paid do not necessarily reflect the quantity of services that the taxpayer receives while user charge payments vary directly with the amount of service or good received by the payor.⁴

The nature of the good or service provided determines whether it is financed through taxes or fees. Private goods are those that can be sold in discrete units for a price, which means that only the purchaser benefits from the good. Publicly provided electricity is one example. Public goods, on the other hand, cannot be sold in discrete units, so the benefits can be enjoyed by individuals who have not paid for them. Police protection is one example. For this reason, public goods are typically financed through general taxes rather than prices, while private goods, or goods resembling them, are financed through charges and fees. Mixed goods display a combination of the characteristics of private and public goods, and are financed through taxes and charges to users.⁵ Public university tuition is an example of a mixed good.

Types of Charges and Fees

Considerable ambiguity exists in the definition and labeling of various fees and charges. To clarify the ambiguity, the Government Finance Officers Association (GFOA) classifies the numerous types of fees and charges into four categories of beneficiary charges:

1. **Utility charges.** Utility charges are voluntary payments for publicly provided goods that are essentially private in nature, i.e., they benefit specific individuals and payment varies with consumption, as in the case of water service charges. The public sector has chosen to provide the good rather than to regulate private provision of it.⁶
2. **User charges and fees.** User charges and fees are payments for voluntarily purchased goods or services provided by the public sector that benefit specific individuals, but also typically possess public good characteristics or are associated with them—their use creates direct or indirect benefits for groups other than the user—which may provide a rationale for public subsidization of those services.⁷ Examples of user charges are public health services and recreational fees.

In order to apply user or utility charges, which simulate prices in the private sector, conditions associated with private market transactions must be present, including:

- The individuals or group that benefit from the good can be identified;
- Individuals who do not pay for the good can be excluded from using it; and
- The decision to purchase the good or service is voluntary.⁸

3 Zorn, p. 137–138.

4 Robert Tannenwald, "Taking Charge: Should New England Increase its Reliance on User Charges?" *New England Economic Review* (Jan–Feb 1990), p. 56.

5 Bland, p. 105.

6 Zorn, p. 142.

7 *Ibid.*, p. 137.

8 *Ibid.*, p. 143.

- 3. License and permit fees.** License and permit fees are payments made in exchange for the privilege to carry out an activity granted by a public entity, rather than for a good or service.⁹ They are compulsory if one carries out that activity. Governments charge these fees to cover the cost of regulating certain private activities, including many occupations and construction.
- 4. Special assessments.** Special assessments are compulsory payments based on charges levied on real property in a specific area for particular benefits generated by government investments, such as new sidewalks or street improvements. They are paid for by property owners benefiting from that investment. Although the investments are linked to identifiable beneficiaries, because payments are mandatory, they are considered a form of taxation.¹⁰

Advantages/Disadvantages of Incorporating User Charges in the Revenue Structure

Incorporating user charges and fees into a government's revenue structure has numerous potential advantages. For example, user charges and fees:

- allow governments to diversify their revenue streams in the face of fiscal pressures such as property tax limitations and declining federal and state aid;
- provide signals to governments about consumer preferences and demand for particular goods and services, which are not present with tax financing; and
- can improve equity by requiring the users of a good or service to pay for it, which eliminates the subsidy by non-users of a good or service to the users that is present when goods and services are financed through general taxes.¹¹

Despite a number of potential advantages, user charges and fees have some disadvantages and limitations in their applicability. User charges and fees:

- may be an inappropriate method of financing many goods, because, as noted by the GFOA, three conditions must be satisfied before they can be used: 1) the good or service must be voluntarily consumed; 2) its benefits must accrue to identifiable individuals; and 3) there must be a way to exclude those who do not pay from enjoying the benefits;
- may be too costly to administer and enforce for certain goods and services; and
- may exclude individuals who are unable to pay for a good considered essential or meriting subsidization.¹²

Fees and Charges Levied by Local Governments

Local governments in Cook County rely on fees to provide goods and services to a varying degree, from 11.2% of total revenues to 31% of total revenues.¹³ The following summarizes each government's reliance on fees and identifies the fees that generate the majority of each government's fee revenue.

The Metropolitan Water Reclamation District's revenue from fees and charges totaled \$54.7 million in 1995, which represented 11.2% of its total revenues. It collected 92% of its fee revenue from wastewater treatment user charges levied against tax-exempt and commercial/industrial users.

⁹ *Ibid.*, p. 143.

¹⁰ *Ibid.*, p. 142.

¹¹ *Ibid.*, p. 144–145.

¹² *Ibid.*, p. 145–146.

¹³ Analysis includes Governmental and Enterprise Funds, but excludes Fiduciary Funds.

Overview of Local Governments in Cook County, continued

The Chicago Park District collected \$42.7 million in fee revenue in FY1995, which represented 16% of its total revenues. It collected most of its fee revenue in the form of user charges, including parking garage revenue (37%), rental of Soldier Field (27%), harbor fees (13%), and recreational program participation fees (12%).

The City of Chicago collected \$991.8 million in fees in FY1995, which represented 23.3% of its revenues. The majority of its fee revenues came from user and utility charges, including airport user charges (28%), water charges (26%), airport rents (16%), and sewer charges (11%).

The Forest Preserve District's fees totaled \$11.2 million, or 25.4% of total revenues, in FY1995. It collected the majority of its fee revenue from two types of user charges: golf fees (56%) and sales of stone located and mined on District property (31%).

Cook County collected \$566.8 million in fees, which represented 31% of its revenues in FY1995. The majority of that revenue came from one type of user charge, patient fees, which accounted for 77% of fee revenues. Fees from the Office of the Clerk of the Circuit Court accounted for 12.4% of fee revenue.

Aggregate Growth in Fees from FY1989–1995

Revenues from fees collected by the five local governments increased from fiscal years 1989 to 1995, and grew at a greater rate than all revenues together for each of the five governments. Table i shows the revenues from fees and total revenues for each government for fiscal years 1989 and 1995, and calculates the percentage change in revenue from fees and from all sources between those two years.

Table i. Aggregate Change in Revenues (in millions)

	Revenue from Fees		% Change	All Revenues		% Change
	FY1989	FY1995		FY1989	FY1995	
Cook County	*\$404.1	\$566.8	40%	*\$1,493.3	\$1,830.0	23%
City of Chicago	**\$743.0	\$991.8	33%	**\$3,422.7	\$4,263.6	25%
Forest Preserve District	\$4.8	\$11.2	135%	\$41.6	\$43.9	6%
Chicago Park District	\$33.5	\$42.7	28%	\$219.2	\$266.0	21%
MWRD	\$30.0	\$54.7	83%	\$390.4	\$489.9	26%

* For comparability of data, Cook County figure refers to 1991.¹⁴

** For comparability of data, City of Chicago figure refers to 1990.¹⁵

In spite of the aggregate growth in fee revenue for each government, revenue from all fees or categories of fees did not grow. A few fees generated the majority of each government's revenue growth. In addition, the fees or categories of fees that did grow did not necessarily do so at an even pace throughout the period.

For Cook County, the fees that contributed most to its aggregate growth of \$162.6 million in fee revenue were patient fees, which grew \$127.5 million; fees from the Office of the Clerk of the Circuit Court, which grew \$13.5 million; and fees from the Recorder of Deed's office, which grew \$11.2 million. Patient fees grew significantly until 1994, but declined in 1995, while revenue from the Recorder of Deeds grew substantially between 1991–1993, but declined after 1993.

¹⁴ The Cook County analysis reports on trends from 1991–1995, rather than 1989–1995, because an independently audited Comprehensive Annual Financial Report (CAFR) was not prepared for 1989, and the report issued in 1990 did not include the Health Facilities Fund, which is the primary source of fee revenue.

¹⁵ Due to a change in the fund group in which the City accounted for grants beginning in 1990, the data from 1989 has been excluded from the growth and trend analyses to ensure comparability of data.

The most significant contributors to the City of Chicago's aggregate growth of \$248.8 million in fee revenue were airline user charges, which grew \$176.7 million; water service charges, which grew \$52.2 million; and other user charges, which grew \$51.4 million. Other user charges include among others, revenue from parking, fire department services, and health services.

The MWRD and the Forest Preserve District experienced most of their fee revenue growth in the early years of the study period. The Forest Preserve District did not delineate individual fees until FY1991, although it experienced significant growth in fee revenue after it began to sell stone mined on its property in 1990. After 1992, sales of stone, permit fees, and concessions contributed most to fee revenue growth. For the MWRD, the fees that contributed most to its aggregate growth of \$24.8 million in fee revenue were wastewater treatment charges, which grew \$23.7 million overall, and \$15 million from 1989–1990, due to an adjustments in rates.

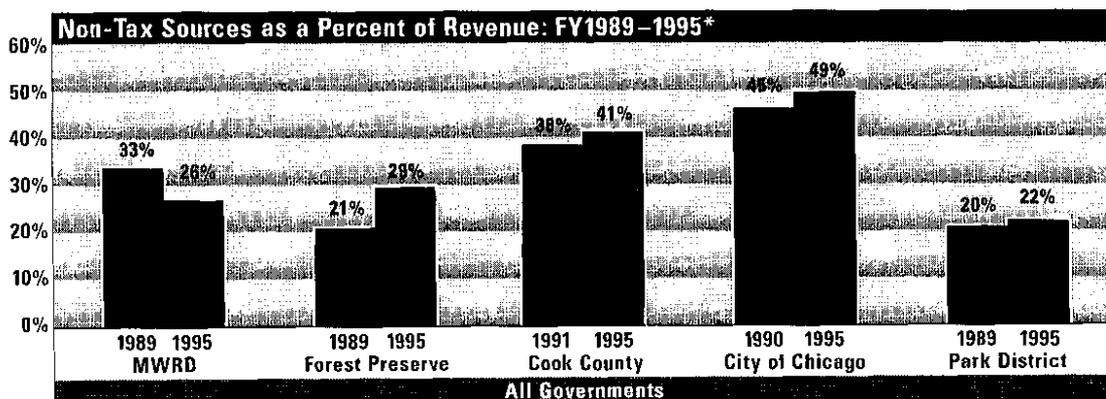
The Chicago Park District experienced most of its fee growth in the later years of the study period. The fees that contributed most to its aggregate growth of \$9.2 million included rental of Soldier Field, which increased by \$7.7 million; revenues from recreational activities, which grew \$3.7 million; and parking garage revenue, which grew \$1.4 million. Revenue from rental of Soldier Field increased significantly from 1993 to 1995, and recreational activities revenue increased significantly between 1994 and 1995.

From FY1989–1995, local governments in Cook County mirrored the national trend that emerged in the 1970s of increasing reliance on non-tax sources of revenue, and fees and charges in particular, to finance the provision of goods and services.

Non-Tax Sources as a Percent of Total Revenue

As Figure i illustrates, four of the five governments examined increased their reliance on non-tax sources of revenue between FY1989–1995, with the Forest Preserve District experiencing the most significant increase in percentage terms, from 21% to 29% of total revenues. This significant increase is attributed to both an overall decline in tax revenues throughout the period as well as substantial increases in fee revenue. Although the MWRD experienced a decline in reliance on all non-tax revenues, from 33% to 26% of total revenues, its fee revenue actually grew significantly between 1989 and 1990, and continued to increase through FY1995. All other governments increased their reliance on non-tax sources between two and four percentage points.

Figure i



* For comparability of data, Cook County figures refer to 1991 and City of Chicago figures refer to 1990. See footnotes 14 and 15 on page xii.

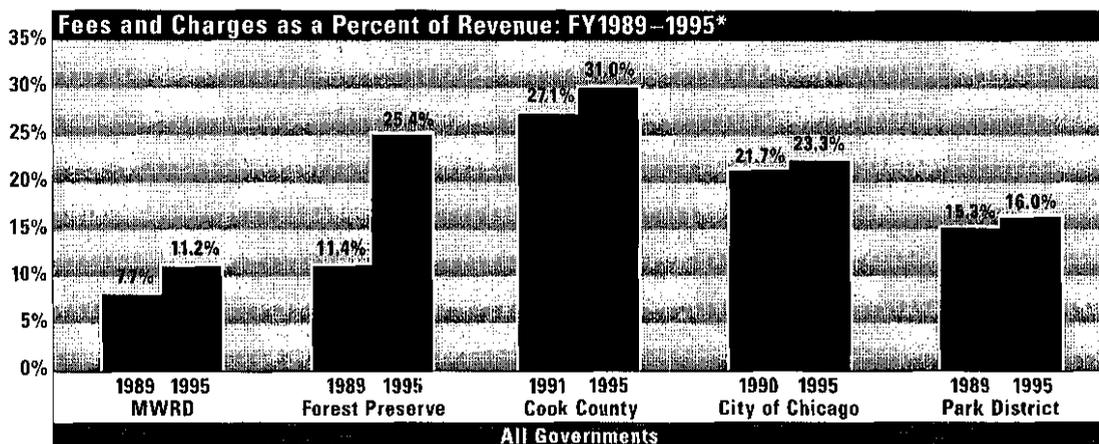
Trend Analysis of Revenue Structure

Trend Analysis of Revenue Structure, continued

Fees and Charges as a Percent of Total Revenue

As Figure ii illustrates, all five governments examined increased their reliance on fees and user charges as a source of revenue between fiscal years 1989 and 1995. The governments increased their reliance on fees in varying degrees, from one to two percentage points for the City of Chicago and the Chicago Park District, to 14 percentage points for the Forest Preserve District. The significant increase in reliance on fees for the Forest Preserve District is attributed primarily to increases in fee revenue, particularly sales of stone, which began in 1990.

Figure ii



* For comparability of data, Cook County figures refer to 1991 and City of Chicago figures refer to 1990. See footnotes 14 and 15 on page xii.

The findings from this analysis suggest that local governments in Cook County have mirrored the national trend that began in the 1970s toward increased reliance on non-tax sources of revenue generally, and fees and charges in particular. Local governments have had to find alternative means to finance the goods and services they provide as a result of changing federal and state policies that place greater responsibilities with local governments, declining federal aid, and tax initiatives such as property tax limitations, which took effect in Cook County in 1994. The report provides a baseline from which local governments' reliance on fees and charges can be tracked annually to provide a clearer understanding of how they provide goods and services.

Introduction

Over the past two decades, local governments across the country have increased reliance on non-tax sources of revenue, in particular fees and user charges.¹ The trend away from reliance on property taxes toward more diversified revenue structures has its roots in the tax limitation movements of the late 1970s and early 1980s; local government fiscal crises precipitated by recession, suburban and regional competition for tax bases, and changing federal and state policies; and declining federal aid.² Local governments have sought alternative ways to stabilize and increase revenues without increasing property taxes. Between 1970 and 1987, reliance on non-tax sources of revenue had increased from 22% of local government revenue to nearly 42%.³ In 1989, the International City Management Association (ICMA) labeled service charges and regulatory fees the most rapidly growing source of local revenue.⁴ At the state level, Illinois has mirrored national trends toward greater reliance on fees to finance state operations over the past decade.⁵

Purpose of the Report

This report examines the reliance of five local governments in Cook County on user charges and fees between fiscal years 1989 and 1995 (FY1989–1995) to determine whether these governments mirror the national trend toward greater reliance on non-tax sources of revenue in general, and fees and charges in particular. The report represents the first of what will be an annual data base report, prepared by The Civic Federation. This study analyzes five major governments in Cook County that rely on fees and charges to fund a significant portion of their operations: Cook County, the City of Chicago, the Chicago Park District, the Forest Preserve District of Cook County, and the Metropolitan Water Reclamation District of Greater Chicago.

Format of the Report

This report is divided into five sections. Following the Introduction, Section II provides an overview of the report's methodology. Section III outlines the various types of fees and charges and distinctions among them, as well as the advantages and limitations of incorporating user charges and fees into a revenue structure. Section IV details the analysis of each of the five governments. This section provides three types of data on each government:

1. A narrative description of the types of fees and charges used and a breakdown of the fees and charges in FY1995 in percentage terms;
2. A comparison of the growth in revenue generated from fees to growth in all revenues during the period FY1989–1995, as well as the fees that contributed most to revenue growth; and

1 C. Kurt Zorn, "User Charges and Fees," *Local Government Finance*, Government Finance Officers Association, Chicago, IL, 1991, p. 135, and Robert L. Bland, "Service Charges and Regulatory Fees," *A Revenue Source for Local Government*, ICMA, Washington, D.C., p. 5–8, 105.

2 Zorn, p. 135.

3 *Ibid.*, p. 136. Figure includes charges, miscellaneous revenue, utility revenue, and liquor store revenue.

4 Bland, p. 105.

5 State of Illinois Comptroller's Office, *Fee Imposition Report*, Fall 1996, p. 7.

**Format of the Report,
continued**

3. A discussion of *two* six-year trend analyses of revenue structure for each local government:
 - a. the reliance on non-tax sources as a percentage of total revenues;
 - b. the reliance on user charges and fees as a percentage of total revenues.

Section V concludes the report with a summary of the trends for all governments.

Methodology

Sources of Data on User Charges and Fees

The procedures and level of detail used to report fees and user charges varies considerably across governments. Data are rarely reported at a level of detail that would permit reporting on the total revenues derived from each fee or user charge. In most cases, fee data is reported in categories of fees that have been grouped together for accounting or other purposes. In this study, calculations of fees and charges as a source of revenue are based on data provided in the audited Comprehensive Annual Financial Reports (CAFRs) of the governments selected for the fiscal years 1989 through 1995. The data has been supplemented by discussions with finance officials in the five governments under review.

To provide a means of categorizing the numerous fees into identifiable types, this report adopts the definitions provided by the Government Finance Officers Association (GFOA), which categorizes charges into four groups: 1) utility charges; 2) user charges; 3) licenses and permits; and 4) special assessments.⁶ Governments apply different classifications to fees, and do not always label consistently; where possible, the report applies the GFOA categories to classify the governments' fee revenue. In some cases, categories differ from the governments' classifications.

For the initial year of the study, 1989 was selected because it was the first year for which most of the governments in the study had independently audited financial reports. A six-year time period was chosen to show trends that a shorter period would not reveal, as well as to provide consistent treatment for all the governments.

Fund Categories Included in the Analysis

There are three categories of government funds: Governmental, Proprietary, and Fiduciary. The first two support the operations and capital expenditures of governments, while the third reports assets held by a government in a trustee or agency capacity for others that can not be used to support a government's own programs. For this reason, Fiduciary Funds have been excluded from this analysis.

Governmental Funds include the General, Special Revenue, Debt Service, and Capital Projects Funds, which are used to report the resources available for operations, specified expenditures, debt service, and major capital projects. Governmental Funds use the modified accrual basis of accounting, in which revenues are recognized when "measurable and available," which means collectible within the current period or soon enough thereafter to be used to pay liabilities of that period.⁷ They typically derive revenues from a variety of fees, licenses, permits, and user charges.

⁶ Zorn, p. 137. For a thorough discussion of the four types of beneficiary charges refer to C. Kurt Zorn, "User Charges and Fees" in *Local Government Finance: Concepts and Practices*, GFOA, Chicago, IL, 1991.

⁷ Stephen J. Gauthier, "Accounting and Financial Reporting," in *Local Government Finance: Concepts and Practices*, GFOA, Chicago, IL, p. 208-210.

Fund Categories, continued

Enterprise Funds are the only type of Proprietary Fund employed by the governments in the study. Enterprise Funds are used to 1) account for activities that are financed and operated in a manner similar to business enterprises, and/or 2) provide governments with information on revenues, expenses and net income, where such information is useful for capital maintenance, public policy, accountability, management control or some other purpose. Enterprise funds use the accrual basis of accounting, which recognizes revenues when earned, regardless of when revenues are received.⁸ Enterprise funds typically rely on user charges to finance operations.

Although revenues are recognized differently for some revenue sources by the two categories of funds, for the purposes of this study, the Governmental and Enterprise Funds have been combined to show the overall reliance of governments on fees and charges in the provision of goods and services.

Data Calculations and Presentation

To demonstrate the types of fees and charges used by governments in Cook County and to determine whether local governments in Cook County have mirrored the national trend toward greater reliance on non-tax sources of revenue, and fees and charges in particular, four measures of data are presented for each government:

1. **Breakdown of fees and user charges in FY1995.** The breakdown of fees and charges shows the percentage of total fee revenue contributed by each type of charge in FY1995. While many governments have multiple charges and fees, a small number of fees or categories of fees may account for the majority of the revenue. This measure demonstrates the relative importance of each type of charge in a government's fee revenues.
2. **Comparison of growth in revenue from fees and charges to growth in all revenues from FY1989–1995.** This information provides the aggregate growth in fee revenue compared to aggregate growth in total revenues over the period of the study. The fees that contributed most to the growth or decline in fee revenue are highlighted.
3. **Reliance on non-tax sources of revenue for FY1989–1995.** This data shows a year-to-year comparison of the reliance of each government on all non-tax sources of revenue, of which fees and charges are one component. Tax sources include both property and non-property taxes, such as sales taxes. Non-tax sources of revenue are any sources not considered tax revenues and include interest on investments, fees and charges, grants, and miscellaneous sources.
4. **Reliance on fees and charges as a percentage of total revenues for FY1989–1995.** This data provides a year-to-year comparison of the reliance of each government on fees and user charges as a part of the revenue structure. While the relative importance of fees and charges depends in part on trends in other revenue sources, the report does not attempt to explain in detail the growth or decline of any revenue source other than fees and user charges. The intent is to establish a context through which to view the relative importance of fees and charges in each government's revenue structure over time.

⁸ *Ibid.*, p. 204.

Fees and Charges as a Source of Revenue

The Distinction between Taxes and Fees or Charges

The primary distinctions between taxes and fees or charges relate to the nature of the payment and the good or service involved. From a payment perspective, most taxes are compulsory payments by individuals or private organizations to a government to pay for general services that may or may not directly benefit the taxpayer. User fees and charges are voluntary payments for a good or service provided by the public sector that are paid by individuals who benefit directly from that good or service.⁹ Taxes paid do not necessarily reflect the quantity of services received by the taxpayer, while user charge payments vary directly with the amount of service or good received by the user.¹⁰ In practice, a number of fees and taxes have properties present in both fees and taxes, which makes it difficult to classify.

The nature of the good or service provided determines whether it is financed through taxes or fees. The ICMA classifies goods into three types: private, public, and merit, or mixed.¹¹ Private goods are those that can be sold in discrete units for a price, which means that only the purchaser, rather than the general public, derives the benefit from the good. Public goods, on the other hand, cannot be sold in discrete units, so their benefits can be enjoyed by individuals who have not paid for them. Public safety services are a typical example. For this reason, public goods are typically financed through general taxes rather than charges. When a government provides goods that have private good characteristics, it simulates prices in the private market by financing goods through charges and fees. Mixed goods display a combination of the characteristics of private and public goods. Typically, mixed goods resemble private goods in that the benefit is derived by specific individuals, but mixed goods also create some public benefit. This provides a rationale for public provision and in some cases subsidization. Mixed goods are financed through taxes and charges to users.

The Nature of Fees and Charges

The definitions of fees and charges are ambiguous, because governments adopt different classifications. There are several different types of fees and charges and grouping together the various types of charges and fees obscures the distinctions among them. To clarify those distinctions, the GFOA has classified a number of charges and fees under the term *beneficiary charges*.¹² This report applies those definitions.

In general, beneficiary charges are payments made by consumers in exchange for specific benefits, services, or privileges provided by the public sector. They encompass four distinct groups of charges: 1) utility charges, 2) user charges, 3) licenses and permits, and 4) special assessments.

⁹ Zorn, p. 137–138.

¹⁰ Robert Tannenwald, "Taking Charge: Should New England Increase its Reliance on User Charges?" *New England Economic Review* (Jan–Feb 1990), p. 56.

¹¹ Bland, p. 105.

¹² Zorn, p. 137.

The Nature of Fees and Charges, continued

Table 1 offers examples of each type of beneficiary charge.

Table 1. Types and Examples of Beneficiary Charges

Utility Charges	User Charges	Licenses & Permits	Special Assessments
<ul style="list-style-type: none"> ■ Water service charges ■ Sewer charges ■ Electricity charges 	<ul style="list-style-type: none"> ■ Health services fees ■ Recreation fees ■ Room/terminal rentals ■ Airport landing fees ■ Court filing fees 	<ul style="list-style-type: none"> ■ Animal ownership licenses ■ Occupational licenses ■ Liquor sales licenses ■ Building/zoning permits 	<ul style="list-style-type: none"> ■ Builder exactments ■ Infrastructure fees ■ Fire protection fees

Source: Compiled from examples of local government charges and C. Kurt Zorn, "User Charges and Fees," *Local Government Finance*, Government Finance Officers Association, Chicago, IL, 1991, p. 138-139.

The characteristics of and distinctions among the four groups are explained below and summarized in Table 2.

Utility charges

Utility charges are voluntary payments for publicly provided goods that are essentially private in nature. Utility charges differ from user charges in that user charges finance goods that display public good characteristics or are closely associated with public goods, while utility charges finance goods that display private good characteristics.¹³ With utility charges, the benefit of the good or service is enjoyed exclusively by the user. While there may be little rationale for public subsidy, the public sector has chosen to provide the good rather than to regulate private provision of it. Utility charges are typically set to cover the entire cost of providing the good or service. A number of governments provide services that typically are financed by utility charges; however, those services are often subsidized with tax revenues. In practice, such charges are labeled user rather than utility charges.

User charges and fees

User charges and fees are payments for voluntarily purchased services provided by the public sector that benefit specific individuals. Despite providing a benefit to a specific individual, the goods financed by charges possess public good characteristics or are associated with public goods, i.e., their use creates direct or indirect benefits for groups other than the user, which may provide a rationale for public provision and subsidization of those goods or services.¹⁴ User charges can be set to cover the entire cost of providing a good or service, or in the case of a good with significant public benefit, can be set to cover a portion of that cost.

According to the GFOA, user and utility charges, which resemble prices in the private sector, can finance the provision of goods and services only when three conditions are satisfied:

- The individuals or group that benefit from the good can be identified;
- Individuals who do not pay for the good can be excluded from using it; and
- The decision to purchase the good or service is voluntary.¹⁵

¹³ *Ibid.*, p. 142.

¹⁴ *Ibid.*, p. 137.

¹⁵ *Ibid.*, p. 143.

License and permit fees

License and permits fees are payments made in exchange for the privilege to carry out an activity granted by a public entity, rather than for a good or service. Governments charge these fees to cover the cost of regulating certain private activities. In general, they are compulsory if one wants to carry out that activity. Such fees may have flat rates, graduated rates, or be based on business receipts.¹⁶ Many licenses, particularly occupational licenses, are sometimes categorized as taxes, and if license fees exceed the cost of regulating an activity, they are generally considered excise taxes.

Special assessments

Special assessments are compulsory payments based on charges levied on real property in a specific area for particular benefits generated by government investments, such as street improvements. Special assessments are paid by property owners who directly benefit from the investment. Although the investments can be linked to identifiable beneficiaries, because they are mandatory, they are considered a form of taxation.¹⁷

Table 2. Distinctions Among Charges

Type of Fee	Purpose of Payment	Nature of Payment	Pricing Mechanism
Utility Charges	Payment for purchase of publicly provided good/service exhibiting private good characteristics.	Voluntary	Can be applied
User Charges	Payment for purchase of publicly provided good/ service exhibiting public good characteristics.	Voluntary	Can be applied
License and Permits	Payment in exchange for a privilege, not a good/service	Compulsory to carry out the activity	Limited application
Special Assessments	Payment for benefits derived from public investment	Compulsory	Can not be applied

As Table 2 above demonstrates, licenses and permits and special assessments charges can be distinguished from user and utility charges by the fact that the latter are voluntary payments for goods or services. Thus, prices can be used to finance the provision of those goods and services. As discussed earlier in the description of user and utility charges, in order for prices to finance goods, three conditions must be met: 1) the individuals or group that benefit from the good are identifiable; 2) individuals who do not pay for the good can be excluded from using it; and 3) the decision to purchase the good or service is voluntary.

A pricing mechanism cannot be applied to special assessments for two reasons: 1) the payment itself is not voluntary, and 2) the benefit of the investment is enjoyed by individuals who do not own the property subject to the assessment and thus do not pay for the benefit. Pricing mechanisms cannot be applied to most license and permit fees, because they are exchanged for a privilege, not for a good or service, and thus the benefit associated with the privilege is not easily measured.¹⁸ While this is largely the case, there are examples of permits in which pricing mechanisms do play a role, such as auctions of pollution permits.

¹⁶ *Ibid.*, p. 138, 143.

¹⁷ *Ibid.*, p. 142.

¹⁸ *Ibid.*, p. 143, 149.

The Nature of Fees and Charges, continued

Authority to Levy Fees and Charges

Local governments derive authority to levy fees from one of three authorities that are usually granted to them by state law.¹⁹ They include proprietary powers to provide services with private benefits, regulatory powers to promote the health and safety of the community, and taxing powers.

1. **Proprietary powers.** Municipalities, and to some extent counties, have proprietary powers to provide services with private benefits. For those benefits, governments can levy a reasonable charge on users of the service, including utility and user charges.
2. **Regulatory powers.** Governments use regulatory powers to promote the health, safety and welfare of the community, by issuing licenses and permits. Licenses permit individuals or businesses to conduct an ongoing activity, while a permit allows individuals or businesses to undertake a particular task. Governments charge fees for licenses and permits to recover the cost of regulating the activities. Statutes typically set maximum rates for many fees.
3. **Taxing powers.** In some states, it is the taxing powers of local governments that permit them to use certain charges, particularly special assessments. The charge is not related to usage but to the increase in property value created by the government investment. Special assessments are not taxes in a broad-based sense, because they are levied only on property that benefits from the improvement and are limited to the increase in property value associated with that investment.²⁰

Among the types of charges, user charges in particular have become a popular source of financing government services, because of the several advantages associated with user charges:

Table 3. Advantages of User Charges as a Revenue Source

Diversify Governments' Revenue Structures	User charges and fees permit governments to diversify their revenue streams in the face of fiscal pressures such as property tax limitations and declining state and federal aid. ²¹
Provide Demand Signals	User charges and fees provide governments with information about consumer preferences and demand for specific goods and services. Such cues are not directly apparent when goods and services are financed through taxes. ²² Linking the provision of goods and services to specific charges can be more efficient than tax financing because it can reduce the potential for oversupply or waste of public services.
Eliminate Taxpayer Subsidies	Fees and charges can improve equity by requiring the users of a good or service to pay for it. Charges eliminate the subsidy by non-users of a good or service to the users that is present when goods and services are financed through taxes. ²³ In addition, user charges play a role in eliminating subsidies by taxpayers to non-taxpaying beneficiaries. For example, rather than requiring taxpayers to finance the maintenance of public courts, which may be used by non-residents, user charges require the user to finance the maintenance.
Are a Popular Revenue Source Among Citizens	Service charges enjoy significant popularity with citizens, according the U.S. Advisory Commission on Intergovernmental Relations, which surveyed attitudes toward government and found that citizens support service charges over increasing taxes. ²⁴

¹⁹ Bland, p. 105–106, 115.

²⁰ *Ibid.*, p. 144.

²¹ Zorn, p. 145

²² *Ibid.*, p. 144

²³ *Ibid.*, p. 145

²⁴ Bland, p. 108

Advantages and Disadvantages of User Charges and Fees as a Revenue Source

Despite a number of potential advantages, user charges and fees have a number of disadvantages and limitations in their applicability.

Table 4. Disadvantages/Limitations of User Charges as a Revenue Source

May Be An Inappropriate Method of Financing Many Goods	Many publicly provided goods and services do not meet the three requirements for user charge financing: 1) a good or service must be voluntarily consumed; 2) its benefits must accrue to identifiable individuals; and 3) there must be a way to exclude those who do not pay from enjoying the benefits. Without these conditions, it is not possible to use a pricing mechanism.
Are Potentially Costly to Administer	Certain goods and services may meet the three requirements for user charge financing, but a user charge system may be too costly to administer and enforce.
May Exclude Users Unable to Pay	A potential drawback to financing with user charges and fees is that subsidies by nonusers to users for certain services or goods may be intended if, for example, a group of users is unable to purchase those services on its own. ²⁵ In such a case, where there exists a strong rationale for public subsidization, user charges may not be best means of financing the provision of a good or service.
Provide No Tax Deduction for Itemizers	Under the current federal tax system, households that itemize their federal tax returns can deduct state and local personal income taxes and property taxes. User charges and fees are not deductible; therefore, individuals with higher incomes, who have higher marginal tax rates and are more likely to itemize, derive a greater relative savings from each deductible tax dollar. ²⁶

The following section provides an analysis of four types of data for each of the five governments:

1. A breakdown of the types of charges and fees employed;
2. A comparison of the aggregate growth in revenue from fees to aggregate growth in total revenues;
3. A six-year trend analysis of the breakdown of tax and non-tax portions of revenues for each government; and
4. A six-year trend analysis of the reliance on user charges and fees as a percent of total revenues.

Due to differences in reporting and availability of data, adjustments were made to each of the five government's data as presented in the Comprehensive Annual Financial Reports. Those adjustments are explained in greater detail in the footnotes of each section.

²⁵ Zorn, p. 146.

²⁶ Tannenwald, p. 64.

Overview of Local Governments in Cook County

**Overview of
Local Governments:**

Cook County

Cook County, Illinois, the second most populous county in the nation, is a home-rule unit that comprises the City of Chicago and surrounding suburban municipalities and unincorporated areas. Its principal responsibilities are to protect persons and property through judicial and law enforcement services, and to provide public health services to citizens of the County. In addition to the President and Board of Commissioners, who oversee 41 departments, twelve elected officials oversee 38 departments with specific functions.²⁷

In FY1995, Cook County's fees and charges totaled \$566.8 million, which represented 31% of the \$1.83 billion in total revenues collected by the County.²⁸

Cook County relies on a wide range of fees and charges to finance its operations. The fees fall into two broad categories:

1. License and permit fees imposed for privileges granted by the County, including engaging in ongoing business or individual activities, e.g., licenses to sell liquor, and undertaking particular tasks, e.g., parade permits. Also included in this category are building and zoning permits, installation permits for environmental compliance, occupational licenses, franchise fees, and animal licenses and tags.
2. User charges and fees imposed for services the County provides to specific parties. This includes patient fees for health services, fees to obtain court records, court filing fees, and real estate transaction registration and recording fees.

Both the Governmental and Enterprise Funds collect fees for operations.

A. Governmental Funds

Governmental Funds collected \$132.5 million, or approximately 23% of all fee revenue in FY1995. The General Fund supports the County's general operating fund and criminal justice system. In addition, a number of Special Revenue Funds, which account for the proceeds of revenue sources requiring separate accounting because of legal or regulatory provisions, collect fees. These include, among others, the Animal Control Fund, which collects fees for animal licenses and tags, and the Law Library Fund, which collects fees for court case research.

²⁷ Cook County Executive Budget Recommendations, Volume 1, 1996, p. 3.

²⁸ Data is derived from the Comprehensive Annual Financial Report (CAFRs) for the years ended November 30, 1991–1995. Analysis includes Governmental and Enterprise Funds. The Forest Preserve District of Cook County, which is considered a component entity of Cook County for reporting purposes, was not included in the 1989–1990 Comptroller's Reports (GASB Rule #14 did not require its inclusion until 1994). Since the Forest Preserve did issue its own independently audited financial statements for 1989–1995, it has been excluded from the Cook County data and treated separately.

Types of Fees and Charges by Fund

Types of Fees and Charges by Fund, continued

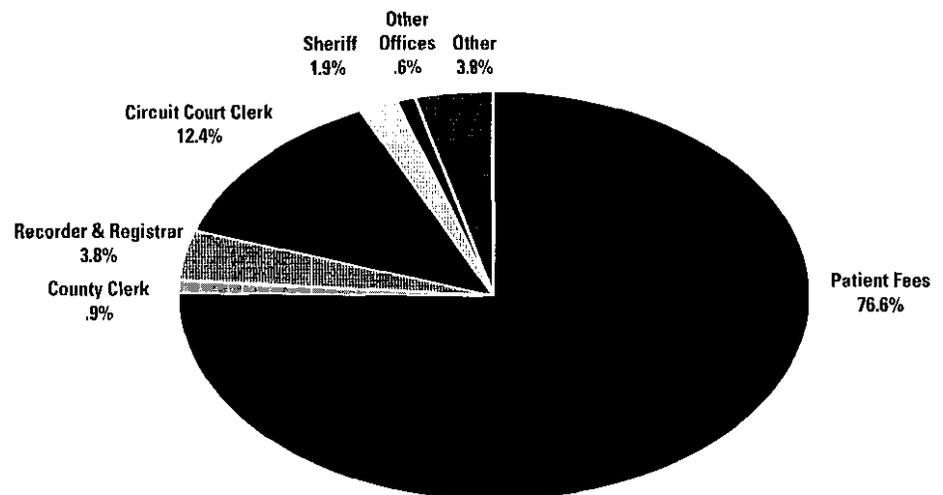
Breakdown of Fees and Charges³⁰

B. Enterprise Funds

During the period of this study, the Health Facilities Fund, an enterprise fund, accounted for the operations of the Cook County Health Facilities. The Health Facilities is the County's public health care system, which includes Cook County, Provident, and Oak Forest Hospitals, as well as the Department of Public Health, the Bureau of Health Services, and the Ambulatory and Community Health network of Cook County.²⁹ The Health Facilities Fund collected \$434.2 million, or nearly 77% of all fee revenue in FY1995.

The breakdown of fees and charges in FY1995 is shown in Figure 1.1. The largest source of fee revenue is a user charge—patient service fees accounted for nearly 77% of all fee related revenue in FY1995. The County Board periodically reviews and annually adjusts patient fees.³¹ The primary fees collected are patient charges from Medicaid, Medicare, private payors and third parties. Medicaid and Medicare payments are based on specified amounts per case or on contracted prices or costs of rendering services to program beneficiaries. In 1995, 38% of patient service revenue was derived from individuals, 45% was derived from Medicaid, and 14% was derived from Medicare.³²

Figure 1.1
Cook County • Breakdown of Fees and Charges: FY1995



²⁹ Cook County, CAFR, 1995, p. 13.

³⁰ The Cook County CAFR does not report on individual fees, but reports total revenues from fee offices, which include offices of the elected officials and appointed officials. Figures for fees and licenses provided in the CAFR refer to all revenue for those offices, not actual fees. The accounting records of the elected officials offices are maintained by those offices rather than by the Comptroller's office. Figures for non-fee revenue were requested from the offices that account for 95% of fee office revenue (County Clerk, County Sheriff, Clerk of the Circuit Court, Recorder of Deeds), and were subtracted from their revenue. Estimates from the Executive Budget Recommendations 1991–1995 were used for offices that did not provide the information.

³¹ Information provided by Bureau of Finance.

³² Cook County, CAFR, 1995, p. 17–18.

After patient fees, the second largest source of fee revenue is user charges from the Office of the Clerk of the Circuit Court, which collected \$70.4 million, or 12.4% of all fee revenue in FY1995. The Office of the Clerk of the Circuit Court is responsible for the administration and maintenance of all court records and the staffing of Court divisions.³³ The law, chancery and divorce, and probate divisions collect civil fees, while the municipal and suburban districts divisions collect both civil and bail bond fees, as well as charge fees to defendants to cover the cost of the courts' time and paperwork.³⁴ All fees in this office are based on Illinois statute.

The Office of the Recorder of Deeds collected \$21.4 million, or 4% of all fee revenue. The Recorder of Deeds is responsible for accepting and recording all public documents and registering all real estate titles and related transfers and conveyances.³⁵ The two primary sources of fees for this office are the real estate and torrens deregistration fees.³⁶ Most fees are statutorily based.

The County Sheriff's office accounted for \$10.6 million or 2% of all fee revenue. The Office of the Sheriff is responsible for the administrative, financial, and personnel functions of seven departments, including Corrections, Court Services, Administrative Services and Support, and Police.³⁷ General summons fees constitute the largest source of fee revenue in this office, followed by court process fees, mileage charges associated with serving summons, and forcible detainers paid in conjunction with civil warrants.³⁸ All fees are based on Illinois statute. The County Clerk's office accounted for \$5.2 million, or almost 1% of all fee revenue. The County Clerk's office is responsible for receiving, recording, maintaining, and copying the vital records of the citizenry.³⁹ Vital statistics, marriage licenses, and tax searches are the primary fees for this office.⁴⁰

Other fees include building and zoning permits, environmental control fees for installation permits and annual inspections, adoption fees, liquor licenses, animal control fees, and law library fees, which together represent 3.8% of fee revenue. Other offices and agencies that collect fees are the Public Guardian, the State's Attorney, and the Public Administrator, which together account for .6% of all fee revenue.

Aggregate Growth in Revenue from Fees⁴¹

Between FY1991 and FY1995, revenue from fees grew from \$404.1 million to \$566.8 million in the aggregate, or 40%, while revenue from all sources grew from \$1.49 billion to \$1.83 billion in the aggregate, or 23%. Revenue sources that contributed most to the growth in fees were patient fees which grew \$127.5 million, or 42%; revenue from fees collected by the Office of the Clerk of the Circuit Court, which grew \$13.5 million, or 24%; and revenue from fees collected by the Recorder of Deeds, which grew \$11.2 million, or 111%.

³³ Cook County Executive Budget Recommendations, Volume 1, 1996, p. 18.

³⁴ Information provided by the Office of Clerk of Circuit Court.

³⁵ Cook County Executive Budget Recommendations, Volume 1, 1996, p. 20.

³⁶ Data provided by Office of the Recorder of Deeds.

³⁷ Cook County Executive Budget Recommendations, Volume 1, 1996, p. 20.

³⁸ Information provided by the Office of the County Sheriff.

³⁹ Cook County Executive Budget Recommendations, Volume 1, 1996, p. 18.

⁴⁰ Cook County Executive Budget Recommendations, Revenue Estimates, 1995, p. 32.

⁴¹ The Cook County analysis reports on trends from 1991-1995, rather than 1989-1995, because an independently audited Comprehensive Annual Financial Report (CAFR) was not prepared for 1989, and the report issued in 1990 did not include the Health Facilities Fund, which is the primary source of fee revenue.

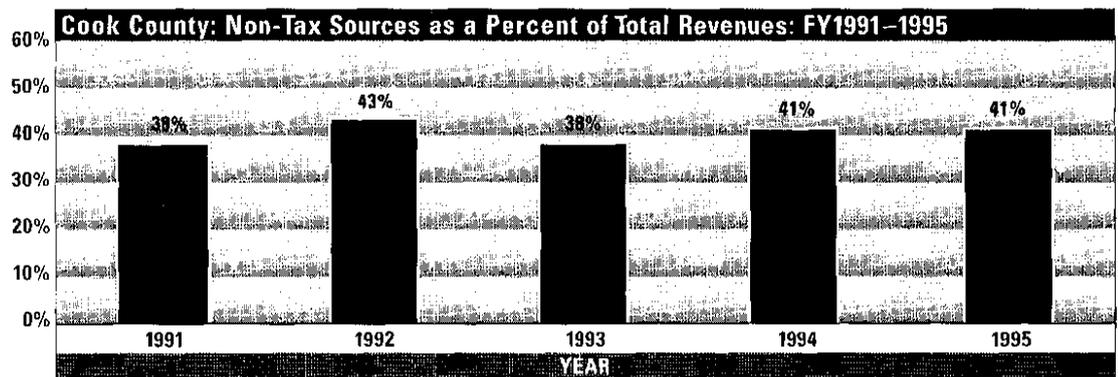
Trend Analysis of Revenue Structure

A. Non-Tax Sources as a Percentage of Total Revenue

Tax revenue includes property taxes and a number of non-property taxes including the sales, gasoline, cigarette, and alcoholic beverage taxes. Non-tax sources of revenues include revenue from fees and licenses, interest on investments, and miscellaneous sources.

Figure 1.2 illustrates that the County's reliance on non-tax sources of revenue increased significantly from 38% in 1991 to 43% in 1992, reflecting both an increase in non-tax sources of revenue as well as a decrease in property tax revenue. The substantial decrease in reliance on non-tax sources of revenue to 38% in 1993 reflects both an increase in property tax revenues and the institution of the County sales tax that year, rather than a decrease in revenue from non-tax sources, which continued to grow. In FY1995, non-tax sources rose to approximately \$750.8 million, which represented 41% of total revenues (\$1.83 billion).

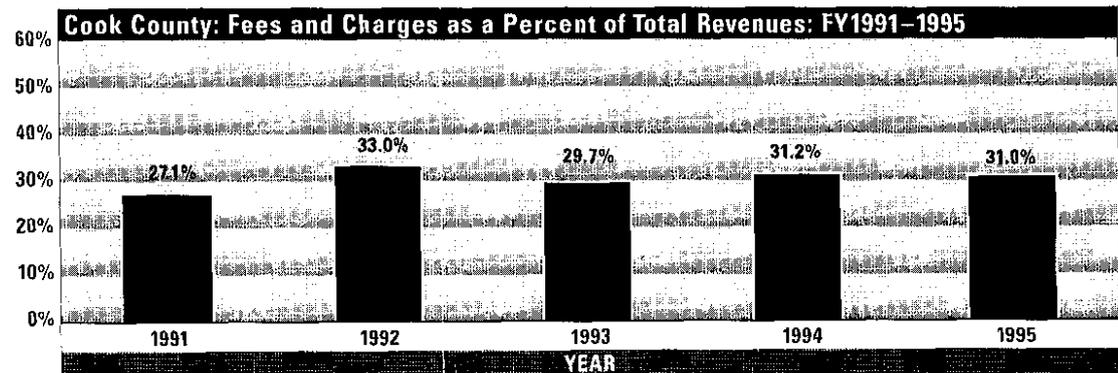
Figure 1.2



B. Fees and Charges as a Percentage of Total Revenues

As shown in Figure 1.3, the County's reliance on fees and charges as a revenue source increased from 27% in 1991 to 33% in 1992. This reflects both an increase in fee revenue, particularly patient fees, and a decline in property tax revenues. As a percent of revenues, fees dropped to 30% in 1993, which coincided with an increase in property tax revenue and the institution of the County sales tax, even though fees continued to rise. In FY1995, revenues from fees totaled \$566.8 million, or 31% of total revenues (\$1.83 billion). This was a slight decrease from 1994, due primarily to a decline in patient fee revenue.

Figure 1.3



Summary

From FY1991–1995, Cook County increased its reliance on fees from 27% of total revenues to 31%. During that period, revenue from fees grew from \$404.1 million to \$566.8 million, or 40% in the aggregate, while all revenues together grew from \$1.49 billion to \$1.83 billion, or 23%. Contributing most to the growth in fee revenue were patient fees, which rose significantly in the early years, but actually declined in FY1995; fee revenue from the Clerk of the Circuit Court; and fee revenue from the Office of the Recorder of Deeds.

**Overview of
Local Governments:**

City of Chicago

The City of Chicago has a population of 2.75 million, and is a home-rule unit under Illinois statute. The City has a mayor-council form of government, in which one Council member from each of the City's 50 wards is elected to serve on the City Council. The City government provides public safety, health, transportation, and streets and sanitation services to the City's residents.

In 1995, the City collected \$991.8 million in fees and charges, which represented 23.3% of its total revenues (\$4.26 billion).⁴²

Types of User Charges and Fees by Fund

The City of Chicago relies on three types of fees and charges to finance its operations:

1. Licenses and permits required for business operations in the City, which include, among others, occupational licenses, building permits and license fees, and alcoholic liquor dealers' licenses.
2. User charges for use of City facilities including landing fees and terminal use charges at the airports, parking meter and garage revenues, and charges for services provided by the City including refuse disposal, building inspections, emergency medical services, birth and death certificates, and safety and information services.
3. Utility charges for usage of the water and sewer systems maintained by the City.

Over the period of this study, both the Governmental and Enterprise Funds relied on fees and charges as a source of revenue.

A. Governmental Funds

The Governmental funds accounted for \$156.4 million, or 16% of all fees and charges in FY1995, up from 12% in 1989. The primary categories are licenses and permits, and user charges for services provided by the City.

B. Enterprise Funds

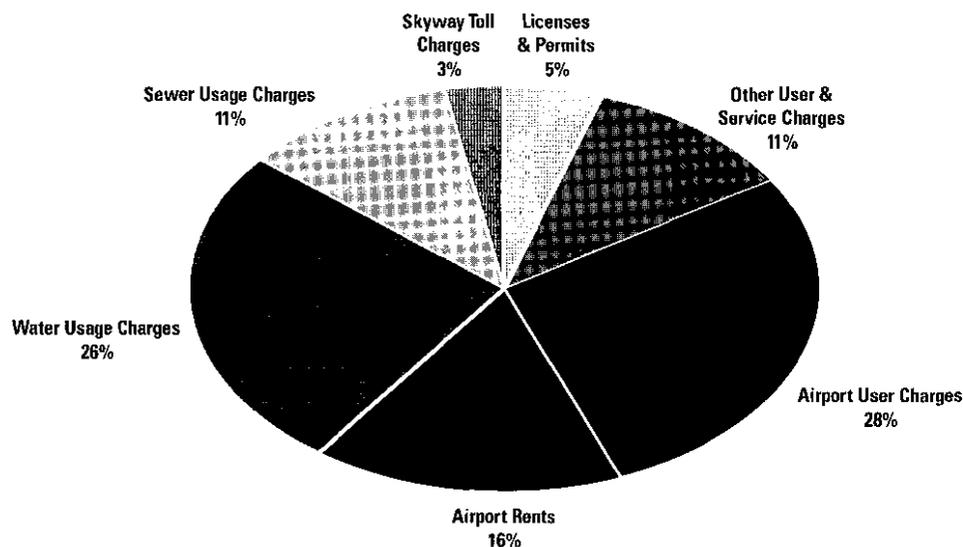
Enterprise funds, which accounted for \$835.3 million, or 84% of fees and charges in FY1995, are essentially self-supporting, with user charges as the primary source of financing the provision of goods or services. User charges support the operation, maintenance, and capital costs of the City's water and sewer systems, Midway and O'Hare airports, and the Calumet Skyway.

⁴² Data is derived from the City of Chicago's Comprehensive Annual Financial Reports, 1989–1995, and conversations with officials from the City's Office of Budget and Management and Comptroller's Office. Analysis includes the Governmental and Enterprise Funds.

Breakdown of Fees and Charges in FY1995

As Figure 2.1 illustrates, the largest source of fee revenue in FY1995 was airport user charges from O'Hare and Midway airports, which constituted \$278.9 million of \$991.8 million, or 28% of fee revenue. This includes landing fees charged to airlines, terminal area use charges, and terminal building rent.⁴³

Figure 2.1
City of Chicago • Breakdown of Fees and Charges: FY1995



The second largest source of fee revenue was water usage charges, which for the purpose of this study are classified as utility charges. The City collected \$261.1 million in water usage charges, or 26% of all fee revenue. Airport rentals, which include rent payments for retail and office space at the airports, concessions, and other airport activity revenue, totaled \$156.5 million, or 16% of fee revenue. Sewer charges, levied based on water usage charges, accounted for \$113.3 million, or 11% of all fee revenue.

Other user charges together constituted 11% of fees.⁴⁴ Within this category, which totaled \$107.1 million in FY1995, the largest sources of fee revenue were parking revenue (\$16.5 million, or 1.7% of fee revenue), fire department services (1.3%), reimbursements from the Board of Education (1.2%), and health center services revenue (.9%). Within licenses and permits, which totaled \$49.3 million, or 5% of all fee revenue in FY1995, the largest sources were alcoholic liquor dealers' licenses (\$12 million, or 1.2% of fee revenue), miscellaneous, which include general business licenses (1.7%), and building permits and licenses(1%).⁴⁵ Skyway tolls accounted for the remaining 3% of fees.

⁴³ Information provided by the City's Office of Budget & Management.

⁴⁴ Most of the City of Chicago's charges and fees in the Governmental Funds are grouped into two categories in the CAFR: Charges for Services and Licenses and Permits. Data for individual user charges and licenses and permits are provided on a budgetary basis in the CAFR.

⁴⁵ Information provided by City's Office of Budget & Management.

Trend Analysis of Revenue Structure

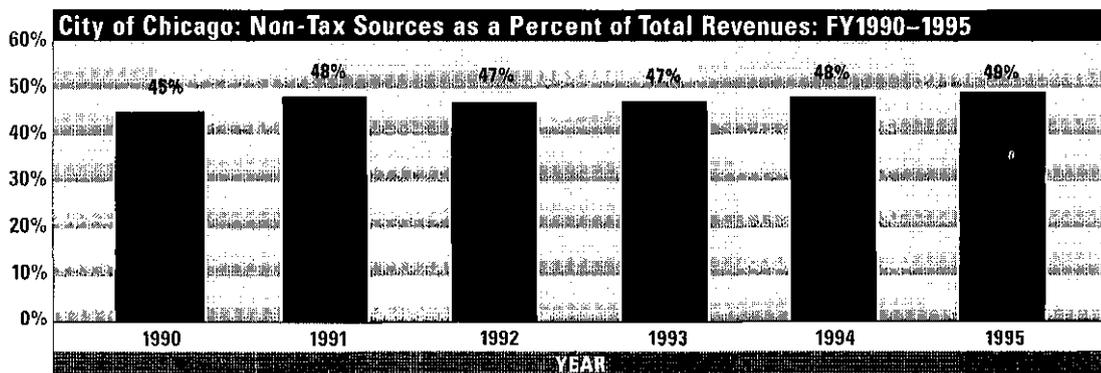
Aggregate Growth in Revenue from Fees from 1990–1995⁴⁶

From FY1990–1995, revenue from fees grew from \$743 million to \$991.8 million in the aggregate, or 33%, while revenue from all sources grew from \$3.42 billion to \$4.26 billion in the aggregate, or 25%. The fees contributing most to the growth in revenue from fees were airline user charges, which grew \$176.7 million (173%), water service charges, which grew \$52.2 million (25%), and other user charges, which grew \$51.4 million (92%).⁴⁷

A. Non-Tax Sources as a Percentage of Total Revenues

Tax sources of revenue include property taxes and non-property taxes, which include utility, sales, transportation, and state income taxes. Non-tax sources include grants, licenses, charges, fines, and interest. Figure 2.2 illustrates that the City of Chicago's reliance on non-tax sources of revenue increased from 45% in FY1990 to 49% in FY1995.

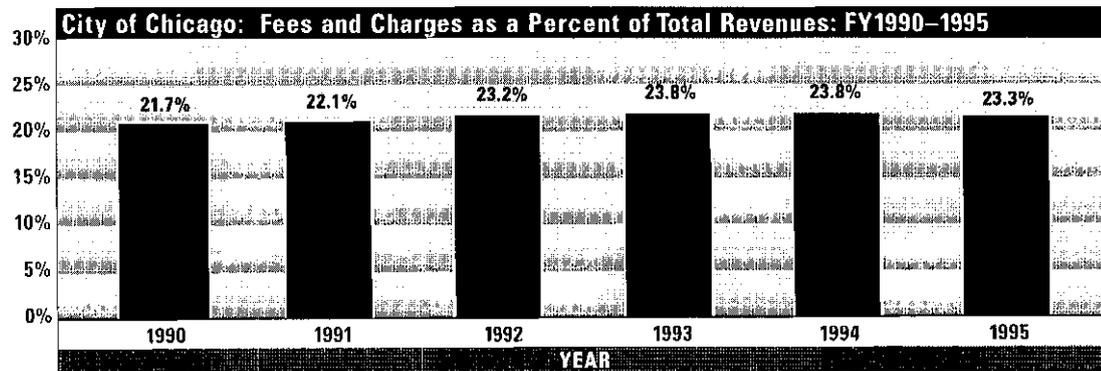
Figure 2.2



B. Fees and Charges as a Percentage of Total Revenues

As shown in Figure 2.3, the City's reliance on fees and charges as a revenue source increased from 21.7% in 1990 to 23.8% in 1994, before decreasing slightly to 23.3% of total revenues (\$4.26 billion) in FY1995.

Figure 2.3



⁴⁶ Due to a change in the fund category in which grants were accounted for beginning in 1990, the data from 1989 has been excluded from the growth and trend analyses to ensure comparability of data.

⁴⁷ The aggregate growth in fees is less than total growth in the three fees listed, because revenues from some fees decreased between 1990 and 1995.

Summary

Between FY1990 and FY1995, the City of Chicago increased its reliance on fees and charges as a source of revenue from 21.7% to 23.3% of total revenues. During that period, revenues from fees grew \$248.8 million, or 33%, while all revenues together grew \$841 million, or 25%. The three sources of revenue that contributed most to the aggregate growth in fees were airline user charges, water charges, and other user charges, which include revenue from parking, fire department services, and health center services.

**Overview of
Local Governments:**

Forest Preserve District of Cook County

The Forest Preserve District of Cook County was established in July, 1914, with boundaries coterminous with Cook County, Illinois. The Forest Preserve District is the caretaker of over 67,000 acres of land that provide a wide range of recreational services to residents and visitors. Illinois state law requires that the Cook County Board of Commissioners serve as the District's Board.

In FY1995, the Forest Preserve District's fees and charges totaled \$11.2 million, or 25.4% of the total revenues (\$43.9 million) it collected.⁴⁸

The majority of fees and charges collected by the Forest Preserve District are charged to Forest Preserve recreational users to support operations and maintenance related to the use of Forest Preserve land and facilities for recreational purposes. The Forest Preserve's fees can be divided into two types: user charges and permits. The fees within each category and a breakdown of those fees by percent of fee revenue appear in the following narrative and in Figure 3.1.

A. User Charges

1. **Recreational User Charges.** Golf revenues include golf course fees, golf cart rentals, and driving range fees. Other recreational fees are winter sports fees, equestrian licenses, and Nature Center activities fees.
2. **Sales.** The District has a seven-year contract to sell stone located and mined on its property by the Metropolitan Water Reclamation District to a corporation.⁴⁹
3. **Land Use Fees.** Land use fees are collected from Forest Preserve employees who rent homes owned by the Forest Preserve, and who pay fees to reimburse the Forest Preserve for utilities. Land use fees also include fees charged to farmers who purchase the right to cut hay on Forest Preserve land that contains large holdings of hay.⁵⁰
4. **Concessions.** Concessions revenue is derived from fees charged to vendors who lease space on District land. Fees include a fixed amount charged to vendors and a small percentage of sales.

⁴⁸ Data is obtained from the Forest Preserve District's General Purpose Financial Statements for the fiscal years 1989–1995, and information provided by the Forest Preserve District's Comptroller's office. The analysis includes the Governmental funds. The District contracts with the Chicago Zoological Society for maintenance and operation of the Brookfield Zoo, and with the Chicago Horticultural Society for maintenance and operation of the Chicago Botanic Gardens. However, GASB did not require the Forest Preserve to include the Zoological Fund and the Botanic Gardens Fund as component units in its financial statements until 1994, so they have been excluded from this analysis.

⁴⁹ Forest Preserve District of Cook County, Illinois, General Purpose Financial Statements for the Year Ended December 31, 1994, and the Cook County CAFR, 1995, p. 30.

⁵⁰ Information provided by the Comptroller's office.

Types of Charges and Fees, continued

Breakdown of Fees and Charges in FY1995

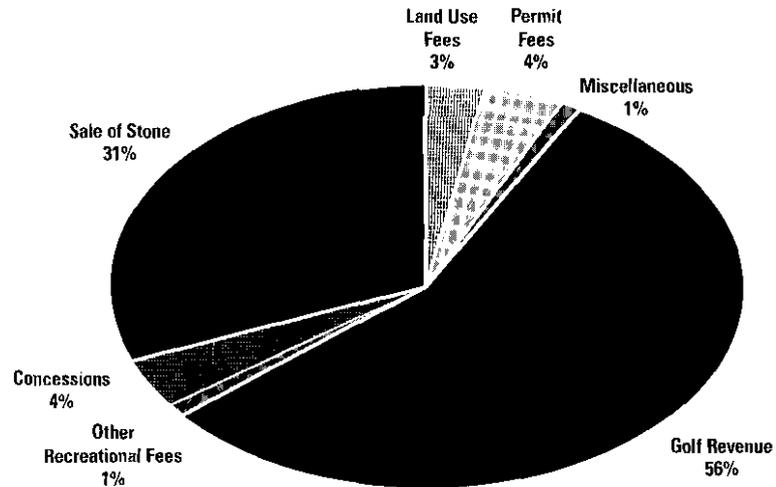
B. Permits and Miscellaneous Fees

Permit fees are charged to large groups for the right to picnic on Forest Preserve land and for special uses of the land for events such as dog shows. Miscellaneous fees include easement right permits for utilities to lay lines across Forest Preserve property.

Golf revenues constituted the largest portion of fee revenues at \$6.3 million, or 56% of all fee revenue, in FY1995. Other recreational fees together contributed less than one percent of total fee revenue: winter sports fees (.2%), equestrian licenses (.3%), and Nature Center activities (.5%). The second largest source of fee revenue was the sale of stone, which totaled \$3.5 million, or 31% of fee revenue in 1995. Land use fees comprised \$305,500, or nearly 3% of all fee revenue, and concessions revenue accounted for \$431,200, or 4% of fee revenue.

Permit fees accounted for \$426,900, or nearly 4% of fee revenue, while miscellaneous fees accounted for just over 1% of fee revenue.

Figure 3.1
Forest Preserve District • Breakdown of Fees and Charges: FY1995



Aggregate Growth in Revenue from Fees⁵¹

Between FY1989 and FY1995, revenue from fees grew from \$4.8 million to \$11.2 million in the aggregate, or 135%, while all revenues together grew from \$41.6 million to \$43.9 million in the aggregate, or 6%. Individual fees were not delineated until 1991-92, but fees from sales of stone grew significantly before then. From FY1992 to 1995, fees grew by \$1.3 million, or 13%, while all revenues grew by \$12.7 million, or 41%. The fees that contributed most to growth in the last three years of the study were sales of stone, which grew \$1.6 million, or 84%; permit fees which grew \$218,727, or 105%, and concessions, which grew \$45,164, or 12%.

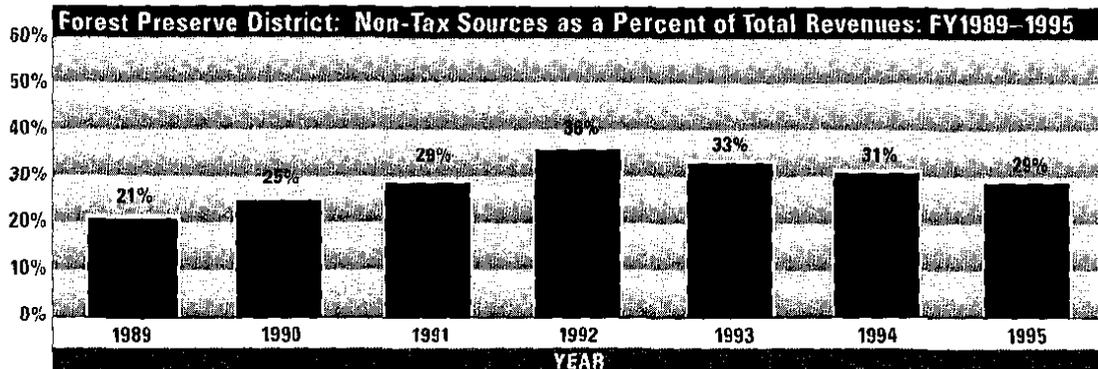
⁵¹ Until 1991, all of the Forest Preserve District's fees and charges were grouped together in the Miscellaneous category of the financial statements. The first year that all of the fees were delineated was 1992; thus, the discussion of the growth or decline of revenue from individual fees refers to the years 1992-1995, rather than to the entire study period.

Trend Analysis of Revenue Structure

A. Non-Tax Sources as a Percentage of Total Revenues

The Forest Preserve District's tax sources of revenue include the property tax and the Personal Property Replacement Tax, while non-tax sources of revenue include fees and licenses, grants, and interest income.⁵² As shown in Figure 3.2, the Forest Preserve District's reliance on non-tax sources of revenue increased from 21% of all revenues in 1989 to a high of 36% in 1992, before decreasing to 29% of total revenues in FY1995. The significant increase to 36% reflects both increases in non-tax sources of revenue, particularly fees, and as well as a decline in revenues from property taxes from FY1989–1992. This decline reversed in 1993, and property tax revenue increased in 1994. Non-tax sources of revenue continued to grow during that period, but the rise in tax sources diminished the relative importance of non-tax sources.

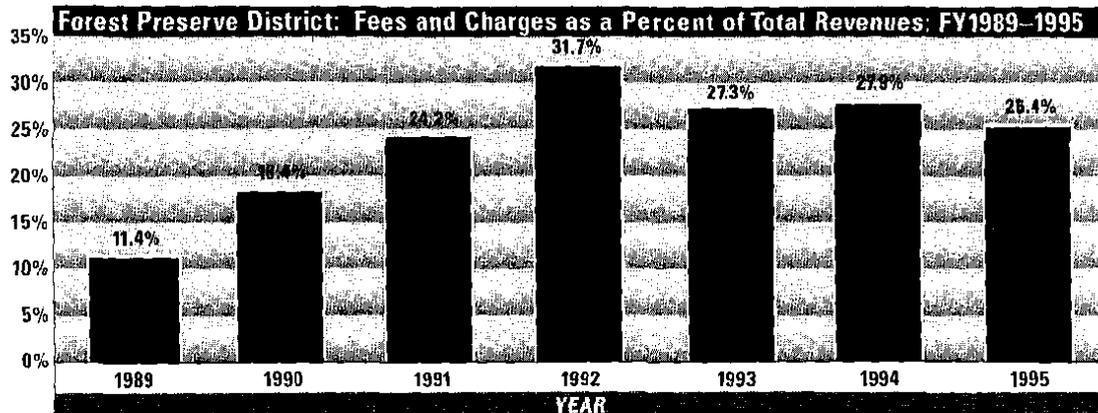
Figure 3.2



B. Fees and Charges as a Percentage of Total Revenues

As demonstrated in Figure 3.3, the Forest Preserve District's reliance on fees and charges as a source of revenue increased from 11.4% in FY1989 to a high of 31.7% in FY1992. During that period, fees rose significantly from \$4.7 million to \$9.9 million, while total revenues, particularly property taxes, declined. The Forest Preserve began to sell stone that was mined on its property by the Metropolitan Water Reclamation District in mid-1990, after a contract the District had bid out to a corporation to purchase the stone was approved. Since a significant portion of the stone was already mined and stored when the contract was approved, sales occurred immediately.⁵³ After 1992, fees continued to rise to \$11.2 million by FY1995; however, total revenues grew significantly as well, to \$43.9 million, and by 1995, fees accounted for 25.4% of total revenues.

Figure 3.3



⁵² The Personal Property Replacement Tax (PPRT) is a state tax on corporate net income that is distributed to municipalities and districts based on a formula. It is affected by the level of economic activity in the State.

⁵³ Information provided by the Comptroller's Office, Forest Preserve District, and the Cook County CAFR, 1995, p. 30.

Summary

From FY1989–1995, the Forest Preserve District increased its reliance on fees as a source of revenue, from 11.4% of total revenues in 1989 to 25.4% in FY1995. During that period, revenue from fees grew \$6.4 million in the aggregate, or 135%, while revenues from all sources grew \$2.3 million in the aggregate, or 6%. The fees that contributed most to revenue growth were sales of stone, permit fees, and concessions.

**Overview of
Local Governments:**

The Chicago Park District

The Chicago Park District maintains 7,423 acres of park land and 24.9 miles of lakefront, and operates a large number of recreational and cultural facilities within the City of Chicago. The Park District was created by Illinois Statute in 1933 as a separate unit of local government within the City of Chicago. It is governed by a board of seven commissioners appointed by the Mayor and approved by the City Council. The commissioners are responsible for management and control of business and property, while the General Superintendent is responsible for daily operations.⁵⁴

In FY1995, the Park District collected \$42.7 million in fees and charges, which represented 16% of its total revenues of \$266 million.⁵⁵

The Chicago Park District relies on fees to finance both its operations and capital needs. Over the period of this study, both the Governmental and Enterprise Funds relied on fees and charges as a source of revenue; however, Enterprise Funds ceased to exist after 1994.⁵⁶

The Park District's charge and permit revenue generating activities are categorized into three types of user charges and permits.

⁵⁴ The Comptroller of the Chicago Park District, Annual Report 1994, p. 5. In addition, nine museums are located on District property, but because they are operated by separate boards of trustees, they are not included in this analysis.

⁵⁵ Data in the trend analysis is derived from the Chicago Park District's Comptroller's Annual Financial Reports and Financial Statements, 1989–1995, and information provided by Park District Budget Office officials. The analysis includes the Governmental and Enterprise Funds. Under State authorization, the Park District levies taxes for operations and maintenance purposes for the Shedd Aquarium and the museums, and is required to allocate a share of its replacement taxes to them. However, the Aquarium and museums are not considered part of the financial reporting entity, and fee revenue from those entities is not included in the Park District's financial statements. Therefore, the Aquarium and museums' operating funds have been subtracted from the Park District's data. The capital funds can not be subtracted, because although the Aquarium and museums portion of the interest of the proceeds of the bonds is broken out, the portion of the property tax levy that goes to debt service for individual bonds is not. Information provided by Park District Budget Office.

⁵⁶ During the period of this study, the Park District operated two Enterprise Funds—the Stardock Harbor Facilities Revenue Fund and the Underground Parking Facilities Revenue funds. These funds were dissolved in 1995 and 1994, respectively, after repayment of bonds issued to repair facilities. Chicago Park District 1995 Budget, p. 12.

Types of User Charges and Fees

Types of User Charges and Fees, continued

User Charges and Permits:

A. For Use of Park District Facilities and Property

User charges and permits for the use of Park District facilities and property constituted \$36.7 million, or 86% of all fee revenue in FY1995. This included revenues from:

- Rental of Soldier Field to the Chicago Bears and for other events;
- Room rentals at Park District facilities;
- Soldier Field non-event parking revenue;
- Parking fees from four underground parking garages;
- Permit fees charged to groups holding events on district property;
- Harbor and boat dockage fees for the use of moorings, stardocks, stalls, floating docks, wall spaces, and finger docks at Park District harbors; and
- Golf fees from District golf courses

B. For Participating in Recreational and Cultural Programs

User charges for participating in the following recreational and cultural programs accounted for \$4.97 million, or 12% of all fee revenue in FY1995:

- Sports programs, including ice skating, tennis, racquetball, and League Registration;
- Cultural programs such as Theater on the Lake, and other activities that focus on arts, crafts, drama and music;
- All-day camp; and
- Special classes.

C. Concessions

Contracts and sales accounted for just over \$1 million, or 2% of fee revenues in 1995, from the following sources:

- Concession revenue from lakefront and non-lakefront concessionaires and event and facility sponsors in the form of a base rental fee and, if the contracted sales threshold is met, a percentage of sales;
- Compensation from the City for lost concessions during city sponsored events.⁵⁷

In addition to financing operations, user charges and fees are used to meet the capital needs associated with maintenance of Park District property. Harbor fees support the repair and maintenance of Park District harbors. All revenue generated by the increase in harbor fees in 1989 is deposited into the Harbor Improvement Fund and reserved for harbor related improvements. Golf course fees support capital improvements as well. In addition to capital improvements made by the private company managing the courses, the Park District reserves twenty-five percent of incremental revenues (approximately \$50,000 annually) generated by golf course fee increases for golf course capital improvements.⁵⁸

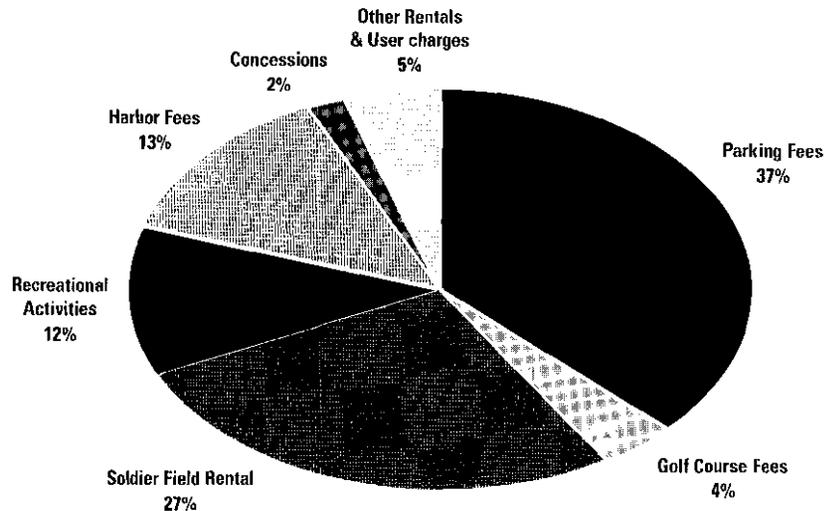
⁵⁷ Information provided by the Chicago Park District Budget Office.

⁵⁸ Chicago Park District, 1997 Budget, p. 92.

Breakdown of Fees and Charges in FY1995

As Figure 4.1 illustrates, the largest source of fee revenue in FY1995 was parking fees from the Park District's underground garages (\$16.3 million, or 37% of all fee revenue), followed by rental of Soldier Field (\$11.4 million, or 27%), harbor and boat dockage fees (\$5.4 million, or 13%), and recreational activities (\$4.97 million, or 12%). All other fee sources made up less than 5% each of fee related revenue.

Figure 4.1
Chicago Park District • Breakdown of Fees and Charges: FY1995



Aggregate Growth in Revenue from Fees from FY1989–1995

From FY1989–1995, revenue from fees grew from \$33.5 million to \$42.7 million, or 27.5% in the aggregate. During the same period, revenues from all sources grew from \$219.2 million to \$266 million, or 21% in the aggregate. The fees that contributed most to the growth in revenue from fees were the rental of Soldier Field, which grew \$7.7 million, or 210%; revenues from recreational activities which grew \$3.7 million, or 303%, and parking fee revenue which grew \$1.4 million, or 10%. Revenue from concessions, golf course fees, and other user charges declined during that period.

Trend Analysis of Revenue Structure

A. Non-Tax Sources as a Percentage of Total Revenues

The Chicago Park District's tax sources of revenue include the property tax and the Personal Property Replacement Tax.⁵⁹ Non-tax sources of revenue include interest, fees, intergovernmental funds, and donation and grant income.

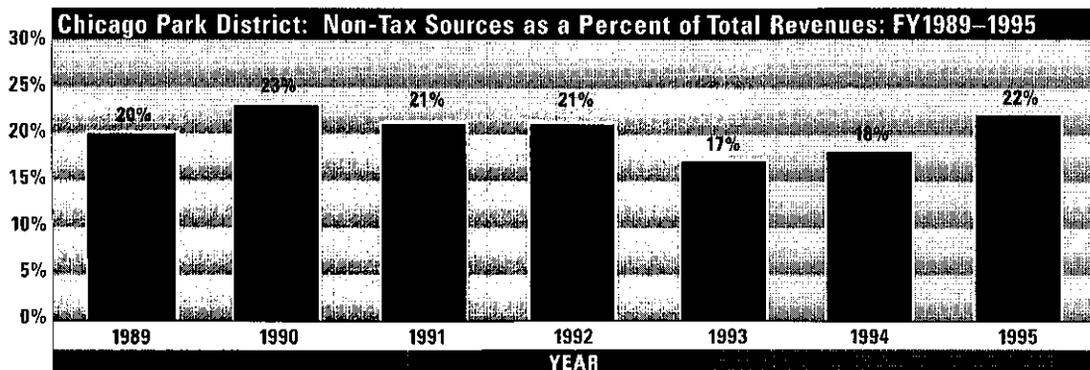
Figure 4.2 illustrates that the Park District increased its reliance on non-tax revenues over the period of the study. Non-tax sources of revenue constituted 20% of total revenues in 1989. That figure dipped to 17.3% in 1993, in part due to fluctuations in grant income and in part due to a decrease in fee revenue.⁶⁰ Non-tax sources of revenue increased to \$58.9 million, or 22% of total revenues (\$266 million) by FY1995, with increases in interest and fee revenues.

⁵⁹ The Personal Property Replacement Tax (PPRT) is a state level tax on the net income of corporations, which is distributed to municipalities and districts based on a formula of property tax collection that existed prior to its creation. Chicago Park District, 1997 Budget, p. 173.

⁶⁰ Information provided by the Park District Budget Office.

Trend Analysis of Revenue Structure, continued

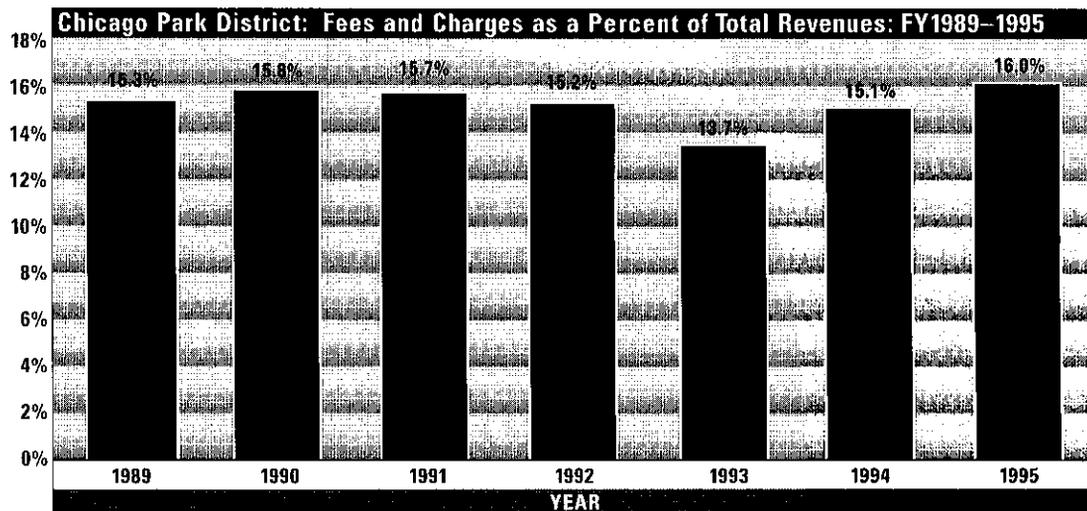
Figure 4.2



B. Fees and Charges as a Percent of Total Revenues

As shown in Figure 4.3, the Chicago Park District's reliance on fees and charges as a percent of total revenues increased from FY1989–1995. Fees and charges accounted for 15.3% of total revenues in 1989. That portion dipped in 1993 to 13.7%, as fee revenue decreased slightly. Revenue from fees rose significantly in FY1994 and FY1995 to \$42.7 million, or 16% of total revenues (\$266 million) by FY1995. Revenue from the rental of Soldier Field and recreational activities fees contributed most to the growth in FY1994 and FY1995. This growth is attributed to modest increases in fees for recreational activities and expanded recreational programs, and to privatizing the operations of Soldier Field through a contract with a company specializing in stadium management.⁶¹

Figure 4.3



Summary

From FY1989–1995, the Chicago Park District increased its reliance on fees from 15.3% to 16% of total revenues, as revenues from fees grew \$9.2 million in the aggregate, or 27.5%, while total revenues grew \$46.8 million, or 21%. The fees that contributed most to the aggregate growth in fee revenues were generated from rental of Soldier Field, fees from recreational activities, and parking garage revenue. The majority of the growth in Soldier Field and recreational activities revenue occurred in FY1994–1995.

⁶¹ Information provided by the Park District General Superintendent's Office and the Park District 1997 Budget, p. 72.

**Overview of
Local Governments:**

Metropolitan Water Reclamation District of Greater Chicago

The Metropolitan Water Reclamation District of Greater Chicago (MWRD) is governed by a nine-member Board of Commissioners and managed by an appointed General Superintendent. It collects, treats and disposes of the wastewater from the City of Chicago and 125 surrounding communities within Cook County, serving an area of approximately 872 square miles.⁶² The primary functions of the MWRD are to keep sewage pollution out of Lake Michigan and the area's drinking water supply, to treat sewage to avoid contamination of the nearby rivers, and to remove obstructions-to-navigation from those bodies of water. The District does not control local sewer systems but does provide the main trunk lines for the collection of sewage from local systems as well as its treatment and disposal.⁶³

In FY1995, the MWRD collected \$54.7 million in fees and charges, which represented 11.2% of its \$489.9 million in total revenues.⁶⁴

The MWRD relies on two types of fees in its revenue structure: user charges and permit fees.

A. User Charges

Wastewater Treatment User Charges. The wastewater treatment user charge system was established so that the operations, maintenance, and replacement costs incurred by the District in treating and disposing of the sewage, industrial and other wastes generated by a user is charged to the user. In compliance with the Federal Water Pollution Control Act Amendments of 1972, the Clean Water Act of 1977, and U.S. EPA rules, the District augments the ad valorem property tax system with a charge related to actual use of services. Property taxes cover the costs for residential and small commercial users; however, tax exempt and large commercial/industrial users pay charges to the extent that their proportionate service costs exceed taxes paid to the District.⁶⁵

While these charges could be thought of as utility charges, since the cost of providing the service is significantly subsidized by property taxes, they more closely resemble user charges.

⁶² Comprehensive Annual Financial Report of the Metropolitan Water Reclamation District of Greater Chicago for the Year Ended December 31, 1995, p. 26–27.

⁶³ *Ibid.*, p. 26.

⁶⁴ The analysis includes the Governmental Funds. Data for charges, fees, and other revenues is derived from the MWRD's Comprehensive Annual Financial Reports (CAFRs) for the years 1989–1995, and from correspondence with the MWRD General Superintendent's office. One category of revenue, Miscellaneous, includes a number of fees not delineated in the CAFR documents. The Office of the General Superintendent provided figures on a budgetary basis for sewer permits, water sales, agricultural sales, and scrap sales for the years 1989–1995. Miscellaneous also includes a number of small fees not easily delineated, including document fees, freedom of information request fees, and sewer service agreements. Due to the small nature of these fees and the difficulty of breaking them out for the study period, they have not be included in the fee totals.

⁶⁵ Information provided by the Office of the General Superintendent, MWRD.

Types of Charges and Fees

Types of Charges and Fees, continued

Land Rentals. The District operates a leasing, permit and easement grants activities program with District owned real estate. The three primary users include: 1) other governments, which, for nominal fees, use the land for short-term public and recreational purposes; 2) private entities and individuals, which lease surplus land on a long-term basis or obtain permits for short-term use; and 3) farmers, who are issued permits for short-term agricultural use of land in Fulton County. Leases are based on an open competitive bidding process, with statutory minimum amounts based on a percentage of the appraised value. Easement grants are issued to municipalities, government entities, and utility companies for pipelines, overhead utility lines, water mains, roads, sewers, and other utility improvements.⁶⁶

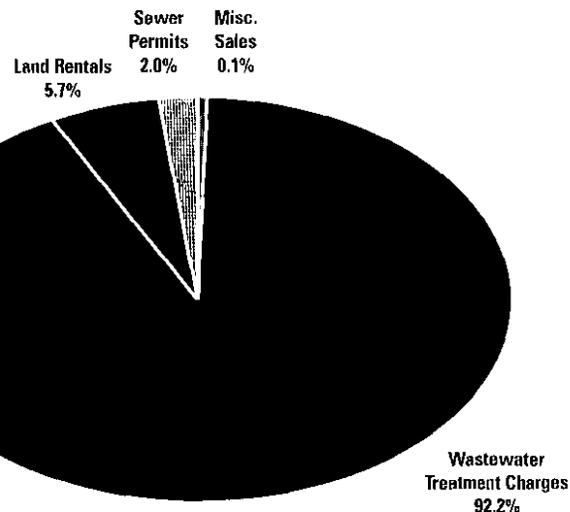
Sales. The MWRD collects a small portion of its fee revenue from various sales, including agricultural product, water, and scrap sales.

B. Sewer Permit Fees

Sewer permits are issued to land developers. The Sewer Permit Ordinance requires storm water control such that no more water leaves a property in its developed state than had run off it in its undeveloped state. The fee is calculated to recover 100% of operating costs.⁶⁷

As Figure 5.1 indicates, the largest source of fee revenue is the user charges for wastewater treatment services, accounting for \$50.5 million, or 92.2% of all fee revenue (\$54.7 million) in FY1995.

Figure 5.1
MWRD • Breakdown of Fees and Charges: FY1995



Land rentals represented \$3.1 million, or 5.7% of fee revenue, and sewer permits represented \$1.1 million, or 2% of fee revenue in FY1995. Miscellaneous sales represented only .1% of fee revenue.

⁶⁶ Information provided by the Office of the General Superintendent, MWRD.

⁶⁷ Information provided by the Office of the General Superintendent, MWRD.

Breakdown and Growth of Fees and Charges in FY1995

Trend Analysis of Revenue Structure

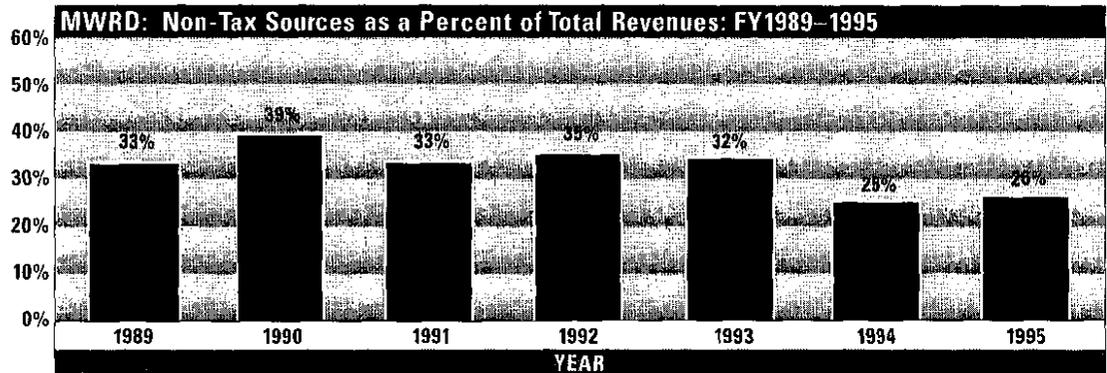
Aggregate Growth in Fees from 1989–1995

From FY1989–1995, revenue from fees and charges increased from \$30 million to \$54.7 million in the aggregate, or 83%, while all revenues together grew from \$390.4 million to \$489.9 million in the aggregate, or 26%. Of the growth in fees, the majority was due to a \$23.7 million, or 89% increase in revenue from wastewater treatment charges, the MWRD's primary source of fee revenue. Revenue from sewer permits grew \$555,000, or 102%, while land rentals grew \$605,000, or 24%.⁶⁸

A. Non-Tax Sources as a Percentage of Total Revenues

The District's tax sources of revenue include property taxes and the Personal Property Replacement Tax (PPRT), while non-tax revenue sources include government grants, user charges, rentals, and interest.⁶⁹ Figure 5.2 illustrates that the District's reliance on non-tax sources of revenue increased significantly from 33% to 39% in 1990, reflecting a large increase in government grants, in addition to significant increases in fee revenue. After 1990, reliance on non-tax sources of revenue decreased, to 25% of total revenues in 1994. Fee revenue actually rose in this period, but was offset by increased revenue from property taxes. By FY1995, non-tax sources accounted for \$129.8 million, or 26% of total revenue (\$489.9 million).

Figure 5.2



B. Fees and Charges as a Percentage of Total Revenues

As shown in Figure 5.3, the MWRD's reliance on fees and charges as a revenue source increased from 7.7% of total revenues in FY1989 to a high of 11.9% of total revenues in FY1994. Despite the decrease in non-tax revenues overall in that period, revenue from fees grew significantly. In particular, wastewater treatment charges increased by nearly \$15 million between FY1989–1990, when an EPA-required review of user charge rates in 1989 found that usage of commercial/industrial users had been underestimated, and that industrial users were not paying their proportionate share of actual costs. This led to an adjustment in rates for those users in 1990.⁷⁰ Reliance on fees and charges declined slightly in FY1995 to 11.2% (\$54.7 million) of total revenues (\$489.9 million), although fees continued to rise.

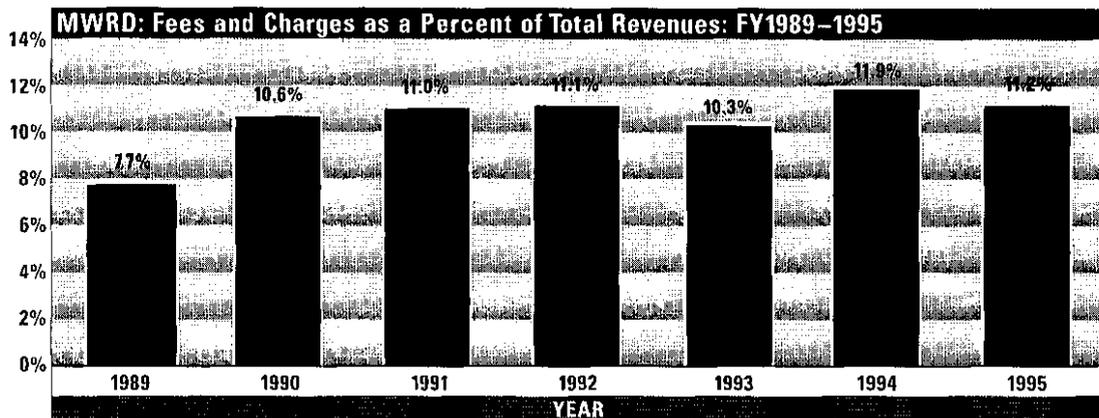
⁶⁸ The sewer permit fee structure was reviewed in 1992 and adjusted to recover 100% of operating costs. Information provided by the Office of the General Superintendent, MWRD.

⁶⁹ Comprehensive Annual Financial Report of the Metropolitan Water Reclamation District of Greater Chicago for the Year ended December 31, 1995, p. 50. The PPRT is primarily a tax on corporate income and thus is affected by the level of economic activity in the State.

⁷⁰ Information provided by the Office of the General Superintendent, MWRD.

Trend Analysis of Revenue Structure, continued

Figure 5.3



Summary

From FY1989–1995, the MWRD increased its reliance on fees as a source of revenue from 7.7% of total revenues to 11.2%. During that period, revenues from fees grew \$24.8 million, or 83%, while all revenues together grew \$99.6 million, or 26%. The largest increase in revenue from fees came from wastewater treatment charges, which are set to recover a portion of the costs of treating excess industrial waste from tax-exempt and large commercial and industrial dischargers. The most significant growth in those charges occurred between 1989 and 1990, when the rates were adjusted.

Summary of Findings

Revenues from fees increased for each of the governments studied from fiscal years 1989 to 1995, and grew at a greater rate than all sources of revenue collected. Table 5 shows the fee revenues and total revenues for each government for fiscal years 1989 and 1995, and the percentage change in fee revenue and revenue from all sources between those two years.

Table 5. Aggregate Change in Revenues (in millions)

	Revenue from Fees		% Change	All Revenues		% Change
	FY 1989	FY 1995		FY 1989	FY 1995	
Cook County	*\$404.1	\$566.8	40%	*\$1,493.3	\$1,830.0	23%
City of Chicago	**\$743.0	\$991.8	33%	**\$3,422.7	\$4,263.6	25%
Forest Preserve District	\$4.8	\$11.2	135%	\$41.6	\$43.9	6%
Chicago Park District	\$33.5	\$42.7	28%	\$219.2	\$266.0	21%
MWRD	\$30.0	\$54.7	83%	\$390.4	\$489.9	26%

* For comparability of data, Cook County figure refers to 1991.⁷¹

** For comparability of data, City of Chicago figure refers to 1990.⁷²

Despite each government's aggregate growth in revenue from fees, revenue from each fee did not grow. The majority of growth in revenue from fees came from a few individual or specific categories of fees. In addition, the fees that did grow did not necessarily grow at an even pace throughout the period.

For Cook County, the fees that contributed most to its aggregate growth of \$162.6 million in fee revenue were patient fees, which grew \$127.5 million; fees from the Office of the Clerk of the Circuit Court, which grew \$13.5 million; and fees from the Recorder of Deed's office, which grew \$11.2 million. Patient fees grew significantly until 1994, but declined in 1995, while revenue from the Recorder of Deeds, which grew substantially between 1991–1993, declined after 1993.

The most significant contributors to the City of Chicago's aggregate growth of \$248.8 million in fee revenue were airline user charges, which grew \$176.7 million; water service charges, which grew \$52.2 million; and other user charges, which include parking revenue, health services revenue, and fire department services revenue, and which grew \$51.4 million.

The MWRD and Forest Preserve District experienced most of their fee growth in the early years of the study period. The Forest Preserve District did not delineate individual fees until 1991, although it experienced significant growth in fee revenue after it began to sell stone in 1990. After 1992, sales of stone, permit fees, and concessions contributed most to fee revenue growth. For the MWRD, the fees

⁷¹ The Cook County analysis reports on trends from 1991–1995, rather than 1989–1995, because an independently audited Comprehensive Annual Financial Report (CAFR) was not prepared for 1989, and the report issued in 1990 did not include the Health Facilities Fund, which is the primary source of fee revenue.

⁷² Due to a change in the fund group in which the City accounted for grants beginning in 1990, the data from 1989 has been excluded from the growth and trend analyses to ensure comparability of data.

that contributed most to its aggregate growth of \$24.7 million in fee revenue were wastewater treatment charges, which grew \$23.7 million overall, but \$15 million from FY1989–1990.

The Chicago Park District experienced most of its fee growth in the later years of the study period. The fees that contributed most to its aggregate growth of \$9.2 million were rental of Soldier Field, which grew \$7.7 million; revenues from recreational activities, which grew \$3.7 million; and parking garage revenue, which grew \$1.4 million. Revenue from rental of Soldier Field increased dramatically from FY1993–1995, and recreational activities revenue increased significantly between FY1994 and FY1995.

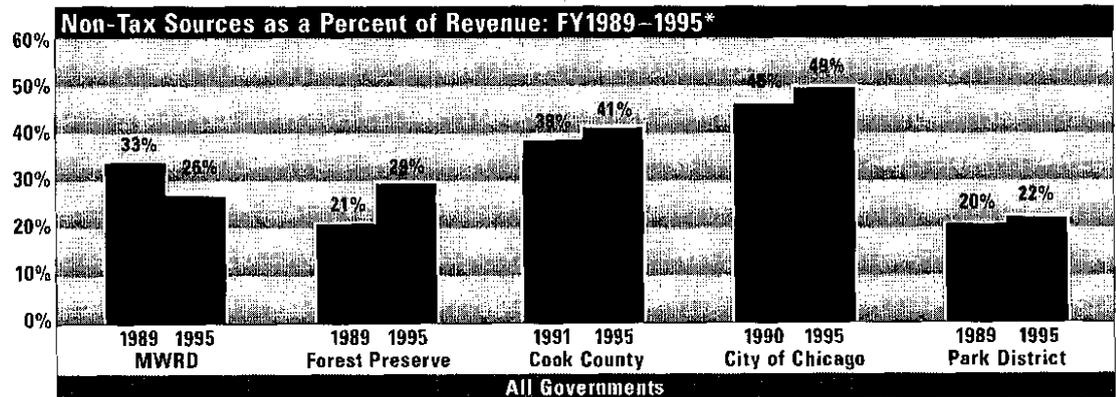
Trend Analysis of Revenue Structure

From FY1989–1995, local governments in Cook County mirrored the national trend that emerged in the 1970s of increasing reliance on non-tax sources of revenue, and particularly fees and charges, to finance the provision of goods and services.

Non-Tax Sources as a Percent of Total Revenue

As Figure 6 illustrates, four of the five governments examined increased their reliance on non-tax sources of revenues between FY1989–1995, with the Forest Preserve District experiencing the most significant increase in percentage terms, from 21% to 29% of total revenues. Throughout the period, the Forest Preserve District's tax revenues declined overall, while revenue from fees increased substantially. Cook County's reliance increased by three percentage points, while the City of Chicago increased its reliance by four percentage points. The Park District increased its reliance by two percentage points. Although the MWRD experienced a decline in reliance on non-tax revenues, from 33% to 26% of total revenues, its fee revenue actually grew significantly between 1989 and 1990, and continued to increase through FY1995. Its decreased reliance on non-tax sources is attributed in part to a significant decline in grant revenue.

Figure 6

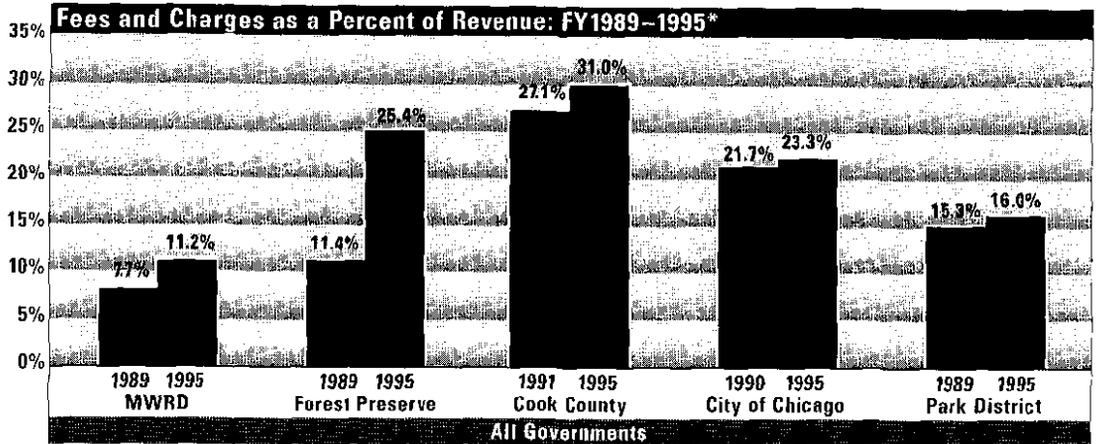


* For comparability of data, Cook County figures refer to 1991 and City of Chicago figures refer to 1990. See footnotes 71 and 72 on page 33.

Fees and Charges as a Percent of Total Revenue

As Figure 7 illustrates, all five governments examined increased their reliance on fees and user charges as a source of revenue between fiscal years 1989 and 1995. The governments increased their reliance on fees in varying degrees, from one to two percentage points for the City of Chicago and the Chicago Park District, to 14 percentage points for the Forest Preserve District. The significant increase for the Forest Preserve District is attributed to a decrease in revenue from property taxes over the period and to increases in fee revenue, particularly sales of stone, which did not begin until 1990.

Figure 7



* For comparability of data, Cook County figures refer to 1991 and City of Chicago figures refer to 1990. See footnotes 71 and 72 on page 33.

This analysis suggests that local governments have mirrored the national trend that began in the 1970s toward increased reliance on non-tax sources of revenue generally, and fees and charges in particular. Federal and state policies that place greater responsibilities with local governments, declining federal aid, and tax initiatives such as property tax limitations, which took effect in Cook County in 1994, place pressure on local governments to find alternative means to finance the goods and services they provide. The report provides a baseline from which local governments' reliance on fees and charges can be tracked annually to provide a clearer understanding of how they provide goods and services.

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