THE CIVIC FEDERATION

COOK COUNTY FY2023 PROPOSED BUDGET:

ANALYSIS AND RECOMMENDATIONS

For more information, visit civicfed.org/CookCountyFY2023

November 10, 2022

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ACKNOWLEDGEMENTS

The Civic Federation would like to express our sincere thanks and appreciation to Cook County Budget Director Annette Guzman and the President's Chief of Staff Lanetta Haynes Turner for briefing the Civic Federation on the Cook County proposed budget and answering our questions. The Federation would also like to thank the Cook County Health team for providing a briefing on the Cook County Health FY2023 proposed budget and answering follow-up questions about the budget, including Chief Financial Officer Pamela Cassara, Chief of Staff to the CEO Letitia Close, Budget Director Deirdre Watts and Chief Communications and Marketing Officer Caryn Stancik.

EXECUTIVE SUMMARY

The Civic Federation **supports** the Cook County FY2023 Executive Budget Recommendation of $8.75 billion because it reflects strong financial management and puts the County in a good position moving forward post-pandemic. The County's FY2023 proposed budget includes a strong level of reserves and positive revenue projections, without any increases in taxes or fees.

The FY2023 budget proposal represents an increase in spending of 7.8%, or $634.9 million, from the FY2022 adopted budget of $8.1 billion. The Cook County Health budget for the health and hospitals system makes up almost half of the entire County budget, and has increased by nearly $1 billion in the past five years since FY2019. The majority of that increase is within Managed Care, which reflects an increase in CountyCare membership throughout the pandemic and the associated cost of managed care program medical claims. It also includes expansion of the ICU at Provident Hospital and administrative capacity.

The FY2023 budget contains many positives. In addition to the County's strong fiscal position following robust revenue performance and built-up reserves, FY2023 will be the eighth year of supplemental payments to the pension fund. These supplemental contributions have significantly improved the funded level of the County pension fund. The County also still has a significant level of American Rescue Plan Act funds left to spend from the $1 billion the County received in 2021. The County further conducts long-term forecasting, which has helped plan for budget gaps over time. Current projections forecast very small budget gaps over the next five years. FY2023 represents the smallest budget deficit under President Preckwinkle's tenure.

However, the Federation's analysis also brings forth several concerns. The Illinois Supreme Court has ruled that the County's transportation-related taxes are constrained by the "Transportation Lockbox" amendment to the Illinois Constitution, which limits how tax revenue generated from transportation-related sources can be used. The elimination of the Wheel Tax, while a small source of revenue, further widens the gap between the cost of providing services in unincorporated areas of the County and the amount of revenue actually generated from those areas. The Civic Federation recommends that the County work to reduce the subsidy provided to unincorporated areas and toward their eventual annexation into neighboring municipalities.

Late property tax bills this year also present a challenge for the County. The Civic Federation commends the County for creating a bridge fund to help local government entities continue to pay for operations while awaiting property tax collections without resorting to short-term borrowing. However, this is an issue that could continue to impact tax bills in future years, and is something the Cook County Board and Board President must ensure is addressed.

The Civic Federation also offers recommendations specific to Cook County Health (CCH). The health system should better reflect the true cost of CCH operations and the resulting subsidy provided by Cook County to the Health Fund by including the cost of pension contributions and debt service in the CCH proposed annual budget. Cook County Health should also justify the expansion of inpatient services at Provident Hospital regarding the utilization of emergency room, ICU and inpatient services. The Federation calls for more articulation of how these services correspond to the CCH Strategic Plan and long-term vision for Provident Hospital.

The Civic Federation presents the following **key findings** from the Cook County FY2023 proposed budget:

- **Appropriations:** The County's Executive Budget Recommendation proposes total spending of $8.7 billion in FY2023, which represents an increase of 7.8%, or $634.9 million, from the FY2022 adopted budget of $8.1 billion.
    - General Fund appropriations, which account for public safety and administrative County functions, are proposed to be nearly $2 billion, an increase of 1.9% from the prior year budget.
    - Cook County Health appropriations of $4 billion represent an increase of $128.4 million, or 3.3%, from the FY2022 appropriation of $3.9 billion. The increase reflects growth in managed care expenses associated with CountyCare membership levels, which remain higher than budgeted, as well as the expansion of new programs and administrative capacity.
- **Property Tax Levy:** Cook County proposes a total property tax levy of $783.1 million in FY2023, which is an increase of $3.3 million, or 0.4%, compared to $779.8 million in FY2022. The County will continue to hold its base property tax level flat at $720.5 million as it has done since 2001, but will generate an additional $77 million from expiring TIF districts, new property and expiring incentives. The County will provide a property tax allocation of $147 million to Cook County Health, which is an increase of $10 million from the prior year.
- **Personnel:** The County proposes a total of 23,153.5 full-time equivalent (FTE) positions budgeted for FY2023 in the operating funds (excluding grant funds). This is an increase of 494.6 positions, or 2.2%, from the adopted FY2022 budget. Large portions of this increase will take place within Cook County Health and the Offices Under the President as positions that were previously grant funded are moved to the operating budget. The personnel count also accounts for positions needed to implement the SAFE-T Act within the public safety offices.
- **Pension Fund:** The proposed budget includes a total pension fund contribution of $512.1 million in FY2022, which includes a statutorily required contribution of $200.4, a supplemental contribution of $291.7 million, and another $20.0 million allocated to the pension reserve. The County has made supplemental contributions to the pension fund since FY2016, which have helped improve the funded status of the fund to 67.2% funded on an actuarial basis as of FY2021, compared to 53.5% funded in FY2012.
- **Debt:** Cook County's general obligation debt totaled $3.2 billion as of FY2021, down from $3.5 billion five years prior. The County's debt service appropriations make up less than 3% of total expenditures, which signifies a low bonded debt burden.

The Civic Federation **supports** the following elements of the Cook County FY2023 proposed budget and the County's financial position:

- Use of excess reserves;
- Smallest budget gap of the current administration;
- Holding the line on tax increases;
- Providing assistance to local taxing jurisdictions in response to late property tax bills;
- Supplemental pension contributions continue to rebuild the pension fund;
- Independent Revenue Forecasting Commission's work on the Cook County Health chart of accounts; and

- Cook County Health Board of Directors meetings are now livestreamed and videos are archived online.

The Civic Federation has **concerns** about the following issues:

- Transportation tax revenue constraints;
- Unincorporated area funding subsidy;
- Property tax bill delays;
- Expansion of the emergency room and inpatient services at Provident Hospital with no public discussion; and
- Personnel and hiring challenges.

The Civic Federation offers the following **recommendations** to Cook County:

- Create a unified property tax administration office;
- Address the subsidy provided to cover the cost of services in unincorporated areas;
- Include the full cost of the County subsidy to Cook County Health in the CCH proposed budget;
- Increase public discussion and transparency about the direction for Provident Hospital;
- Obtain statutory authority for supplemental pension contributions; and
- Enact a multi-year intergovernmental agreement with the pension fund for supplemental pension contributions.

CIVIC FEDERATION POSITION

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However, the Federation's analysis also brings forth several concerns. The Illinois Supreme Court has ruled that the County's transportation-related taxes are constrained by the "Transportation Lockbox" amendment to the Illinois Constitution, which limits how tax revenue generated from transportation related sources can be used. The elimination of the Wheel Tax, while a small source of revenue, further widens the gap between the cost of providing services in unincorporated areas of the County and the amount of revenue actually generated from those areas. The Civic Federation recommends that the County work to reduce the subsidy provided to unincorporated areas and toward their eventual annexation into neighboring municipalities.

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ISSUES THE CIVIC FEDERATION SUPPORTS

The Civic Federation **supports** the following elements of Cook County's FY2023 Executive Budget Recommendation and financial situation.

Use of Excess Reserves

The work the County has done over the past several years, including prior to the COVID-19 pandemic, has put the budget in a strong financial position and enabled the County to build up a healthy general operating reserve.

The Civic Federation commends the County for its fund balance policy, which requires the County to maintain a financial reserve in the General Fund of no less than two months of operating expenditures (16.67%), which serves as a "floor." The policy also sets a "ceiling" such that if the unassigned General Fund reserve exceeds three months' worth of total expenditures (25.0%) the County can use these funds to pay for nonrecurring expenses, outstanding liabilities such as pensions or bonded debt, or transfer them to a committed or assigned fund balance in the following fiscal year.[1] The County's policy indicates that it will also maintain an assigned fund balance for purposes of a Pension Stabilization Fund to offset unanticipated increases in the pension contributions to the Cook County Pension Fund.[2]

Pursuant to this policy, the County will allocate a significant amount of excess reserves above the "ceiling." Cook County's fund balance amount at the end of FY2021 totaled $703.6 million, exceeding the "ceiling" by $261.8 million. The County will allocate that amount to the following purposes:[3]

- $50.0 million for the Pension Stabilization Fund;
- $25.7 million to the Self Insurance Fund Reserve;
- $50.0 million to the Cook County Health Reserve;
- $80.4 million to the Infrastructure and Equipment Fund, plus an additional $30 million appropriated to this fund in the FY2023 budget; and
- $25.7 million to the Equity Fund.

The County anticipates the FY2022 year-end fund balance to be even larger, which will allow for further allocations of the excess reserves above the ceiling.

Following such a policy is a good government practice, and the use of excess fund balance is an appropriate use of one-time resources. The Civic Federation commends the County for enacting this policy and practice. The reserves the County has built up indicate strong financial performance and structurally balanced budgets in recent years. The healthy fund balance means the County has more budgetary flexibility in the event of an economic downturn.

Smallest Budget Gap of the Current Administration

Heading into the 2023 fiscal year, Cook County initially projected a budget deficit of $18.2 million in the General Fund and Health Fund combined. The $18.2 million budget gap represents the smallest estimated budget gap since Cook County Board President Preckwinkle

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[1] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 296.
[2] Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 6 and 292.
[3] Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 6-7.

took office in 2011, when the budget deficit was $487.0 million. This reflects the work Cook County has done to produce structurally balanced budgets, in which revenues meet expenditures, and do not rely on one-time sources of revenue to pay for operating expenditures. Additionally, the County anticipates ending the FY2022 year with a budget surplus of $262.7 million due to higher than budgeted revenue coupled with personnel savings.

Holding the Line on Tax Increases

The Cook County FY2023 proposed budget is structurally balanced without raising any general taxes or new fees. The budget does not increase the County's base property tax levy of $720.5 million, although it does include revenue capture from expiring incentives, expired Tax Increment Financing (TIF) districts, and new property construction totaling $77.0 million. The budget also benefits from increases in some tax sources that are projected to perform well in FY2023 such as the sales tax, hotel tax and amusement tax. The Civic Federation believes holding the line on tax increases is appropriate given the economic pressures already placed on residents and business owners in this high inflationary time.

Providing Assistance to Local Taxing Jurisdictions in Response to Late Property Tax Bills

After nine years of Cook County property tax bills being mailed out on time, the second installment of 2022 property tax bills are expected to go out four months later than normal, the second year in a row tax bills are late. While this does not present a major problem for Cook County government because of the County's high level of budgetary reserves, it is a problem for many smaller taxing jurisdictions throughout the County that rely heavily on property tax revenue and do not have sufficient funds to bridge the gap between when the bills were supposed to be collected out and when they will actually be collected. In response, Cook County created a Property Tax Bridge Fund[4] to provide short-term operational cash flow assistance to jurisdictions in greatest need with low levels of cash on hand. The cost of administering the program to Cook County is $5 million. The loans will be provided to qualifying jurisdictions without interest penalties, and paid back directly to the County as tax revenues are distributed to local taxing jurisdictions. The Civic Federation commends the County for taking this action. While the situation has created an additional cost to County taxpayers of $5 million, this program will limit the negative impact to local government entities, especially those in already disinvested communities, who otherwise would have been forced to do expensive short-term borrowing.

Supplemental Pension Contributions Continue to Rebuild Pension Fund[5]

The County began making supplemental pension fund contributions in FY2016, funded by a one percentage point increase in its sales tax rate. These additional contributions have helped reverse the downward trajectory of the Cook County pension fund. The additional annual contributions are meant to help the County keep to a payment schedule that increases by no more than 2% each year and results in a 100% funded ratio in 30 years. Since FY2016 the County has made a total of nearly $2.3 billion in supplemental pension payments. The County projects that with the supplemental payments, the fund will be 100% funded by 2043, whereas it would have become insolvent by 2055 if only the statutory payments were made.[6]

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[4] Information available at https://www.cookcountyil.gov/bridgefund.

[5] Throughout this analysis, the numbers the Civic Federation uses to evaluate Cook County's pensions refer to the combined pension and retiree health obligations, not the pension obligations alone.

[6] Cook County, "Executive Budget Recommendation: Fiscal Year 2023 Presentation," October 5, 2022, p. 27.

Two key pension fund status indicators show how the supplemental contributions made since FY2016 have helped improve the funded status of the pension fund. The fund's unfunded liability has decreased since the County started making larger pension payments in FY2016 after increasing nearly every year going back to the early 2000s. The unfunded liability has fallen from $7.2 billion in FY2016 to $6.3 billion in FY2021. Likewise, the funded ratio based on the actuarial value of assets[7] has improved from 56.7% in FY2016 to 67.2% funded as of FY2021, and the market value funded ratio has improved to 74.8%. Both levels are the highest since before the 2008 financial crisis.

In FY2023 Cook County will make a total payment of $512.1 million. The supplemental contribution in FY2022 is budgeted at $291.7 million, with an additional $20 million going into a pension reserve account for future pension payment increases. The statutory payment for FY2023 is $200.4 million.

Independent Revenue Forecasting Commission's Work on Health Fund Revenue Chart of Accounts

The Civic Federation continues to commend the Cook County Independent Revenue Forecasting Commission for its work both on General Fund and Health Fund revenue forecasting. The Commission has been meeting since July 2019 and in the time since then has refined the methodologies used in the forecasting process, incorporated multiple scenario projections and has added Cook County Health (CCH) revenues into its scope in addition to forecasting home rule taxes that primarily support the General Fund.

In addition to incorporating Health Fund revenues into its scope, the Commission this year worked with the County budget office and CCH to create a new chart of accounts within the Health Fund. The new account structure details revenues generated from different Medicaid programs under CountyCare, patient service revenues from different payors, as well as directed payments made by the State of Illinois to CCH. The new accounts will allow for forecasting these revenues based on assumptions that differ for each revenue type. This change to the chart of accounts improves transparency by providing additional detail about CCH revenue sources.

Cook County Health Board of Directors Meetings Livestream and Video Archive

As a result of remote meetings necessitated by the COVID-19 pandemic, the Cook County Health Board of Directors and committees began livestreaming their meetings on Facebook in April 2020. However, there was no online repository for the video recordings. The Civic Federation is pleased that as of February 2022, the Cook County Health Board now posts live video and past meeting recordings on an online YouTube channel.[8] Livestreaming meetings and posting videos of past meetings online has been a longtime Civic Federation recommendation. We commend the Cook County Health Board for taking this step, as it provides greater public access to Board proceedings and brings Cook County Health in line with the Cook County Board of Commissioners and its committees, as well as the governing boards of the major government entities throughout Chicago.

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[7] The actuarial value of assets measurement is the ratio of assets to liabilities that accounts for assets by recognizing unexpected gains and losses smoothed out over a period of three to five years.
[8] The Cook County Health Board stream is available at https://www.youtube.com/channel/UCj9DT_I0RU-MVC-_u-tOkZA.

Civic Federation Concerns

The Civic Federation has the following **concerns** about the Cook County budget.

Transportation Tax Revenue Constraints

Cook County is creating a new special purpose Transportation Fund in the FY2023 budget to account for transportation tax revenue in order to comply with Article IX, §11 of the Illinois Constitution, also known as the "Safe Roads Amendment" or the "Transportation Lockbox Amendment." The new Transportation Fund will account for revenues from the Wheel Tax, County Use Tax, Gasoline and Diesel Fuel Tax, Parking Lot & Garage Operations Tax, New Motor Vehicle Tax, and Non-Retailer Transactions Use Tax. This will result in the diversion of $237 million in revenue away from the General Funds, which were previously used to support public safety offices. The County has identified transportation-related operational programs and expenses that these transportation tax funds will cover in the offices of the Sheriff, State's Attorney, Chief Judge and Clerk of the Circuit Court.

The Civic Federation opposed this constitutional amendment when it was presented to Illinois voters in 2016, noting that it could tie the hands of local governments that use their vehicle sticker and other fees to fund general operations. Indeed, it became an issue for Cook County when the Illinois Road and Transportation Builders Association filed a lawsuit against the County in 2018 for directing transportation revenue to purposes not related to road funding.[9] The Cook County Circuit Court initially dismissed the case, but following an appeals process, the Illinois Supreme Court ruled that transportation revenue obtained from Cook County and other home rule local governments is subject to the constitutional amendment.[10] The County notes that its creation of the Transportation Fund does not waive its defenses with regard to the applicability of the Lockbox Amendment to its revenues and reserves the right to remove some or all of the noted taxes from the Transportation Fund pending the results of litigation.[11]

The County emphasizes in its FY2023 budget that as a result of this shift in revenue, the General Funds will become more reliant on the County's sales tax, which creates some risk if the sales tax does not continue to perform at the level it has been in the past two years. The County's other home rule taxes that support the General Fund are failing to grow at a fast enough pace to keep up with inflation. The Federation continues to have strong reservations about the Lockbox Amendment's ongoing impact on the flexibility of the State of Illinois and local governments in determining how best to spend revenues.[12]

Unincorporated Area Funding Subsidy

The Cook County Board of Commissioners voted on September 22, 2022 to repeal the Cook County Wheel Tax effective June 30, 2023. The Wheel Tax is an annual license fee authorizing the use of any motor vehicle within unincorporated Cook County, similar to a municipal vehicle sticker, but for areas of the county that are not part of a municipality. While the amount of revenue that will no longer be generated from the Wheel Tax is minimal at $3.9 million projected

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[9] Illinois Road and Transportation Builders Association et al v. The County of Cook, Circuit Court of Cook County, 2018, No. 18 CH 2992.
[10] Illinois Road and Transportation Builders Association et al, v. The County of Cook, 2022 IL 127126. See https://www.illinoiscourts.gov/resources/8629358d-2024-4876-870f-7b4611d6240f/file. The Illinois Supreme Court remanded the case to the Circuit Court for further proceedings.
[11] Cook County, FY2023 Executive Budget Recommendation, Volume 1, p. 58.
[12] See Civic Federation, "Letter to the Editor: Lockbox Amendment," October 20, 2016. https://www.civicfed.org/iifs/blog/letter-editor-lockbox-amendment.

for FY2022, it represents one of the limited revenue sources generated by unincorporated areas. A 2016 Civic Federation analysis of unincorporated Cook County found that there are few revenues generated by unincorporated areas only to offset the cost of the County providing municipal services to approximately 126,034 unincorporated residents, effectively resulting in an $18.9 million subsidy.[13] Eliminating the wheel tax will further widen the gap between revenues generated in the unincorporated areas and the expense of providing services to them. In effect, this increases Countywide taxpayers' subsidy to these areas.

Property Tax Bill Delays

The late mailing of property tax bills in FY2023 is problematic because of the uncertainty and confusion it has caused for taxpayers, and also because many local government bodies such as municipalities and school districts rely heavily on property tax revenue to fund their operations throughout the year and will likely be forced to resort to larger than usual tax anticipation borrowing in order to cover their operations until property tax revenues are collected beginning sometime in December. Finger-pointing between the Cook County Assessor and Board of Review has not illuminated the situation, which ultimately highlights the need for better collaboration on technology upgrades and other issues between these two offices and the other offices involved in the property tax process (Treasurer and Clerk). While the County Board President is not responsible for the delay in property taxes, she and the Board of Commissioners are answerable to the taxpayers of Cook County. While the situation is unfortunate, and will cost the County $5 million to provide bridge loans to local governments, the impact of the property tax bill delay is likely less than might otherwise be anticipated due to many governments' available ARPA funding. Regardless of who is ultimately at fault, the County must work to correct the issue in order to avoid similar delays in future years.

Expansion of Emergency Room and Inpatient Services at Provident Hospital with No Public Discussion

Provident Hospital appropriations are increasing by 11% from the FY2022 adopted budget, to $81.8 million in FY2023. Over the past five years since FY2019, the Provident Hospital budget has increased by $27.0 million, or 49.3%. The increase in expenditures at Provident is due to the health system restoring operations of the ICU and resuming ambulance runs, as well as expanding a number of other services including colonoscopies, surgical capacity, dialysis, ophthalmology and physical and occupational therapy.[14]

As we have raised concerns in past years, the Civic Federation remains concerned about the reversal in plans for Provident Hospital with no real public discussion or explanation. Following a downgrade in the facility's emergency room to a less heavily staffed standby facility,[15] the health system reversed course, reopened the ICU and restored ambulance runs in October 2023 for the first time since 2011.[16] The hospital announced it would open six ICU beds based on an

[13] See Civic Federation, "Unincorporated Cook County: A Profile of Unincorporated Areas in Cook County and Recommendations to Facilitate Incorporation," September 22, 2016, available at https://www.civicfed.org/civic-federation/publications/UnincorporatedCookCounty2016. See also "Civic Federation, "Unincorporated Areas in Cook County: The Subsidy," September 28, 2016. Available at https://www.civicfed.org/civic-federation/blog/unincorporated-areas-cook-county-subsidy.

[14] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 83.

[15] In 2020, the health system suspended the ICU based on a study showing 85% of ER patients could be seen in an outpatient setting. Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Board meeting, August 28, 2020.

[16] At the October 28, 2022 Cook County Health Board of Directors meeting, CCH announced it had restored ambulance runs at Provident and received 70 ambulances within the first week.

anticipated average daily census of four patients and a projected medical surgical daily census of 20, up from 11.7 in FY2021 and 12.4 in FY2022.[17]

When asked at an FY2022 departmental budget hearing what changed to justify resuming ambulance runs, the health system CEO cited changes in community need as well as increased coverage and capacity made possible through the Affordable Care Act, noting that ambulance runs halted prior to passage of the ACA. He said Provident is taking a one-stop shop approach to provide both inpatient and outpatient services under a single, smaller footprint. However, the plans for Provident have been neither articulated as part of the health system's FY2023-FY2025 Strategic Plan nor justified as necessary in any public meetings of the CCH Board of Directors.

Personnel and Hiring Challenges

Cook County government, like many sectors, has struggled throughout the past year to attract, hire and retain personnel. This has especially been an issue for the Cook County Health and Hospitals System. Cook County Health has relied heavily on temporary nursing staff through agency contracts to fill the need for nurse positions. CCH spent $74 million on temporary staffing contracts in FY2021, compared to $23.2 million in FY2019, and was on track to exceed FY2022 contractual spending just halfway through the year with $58.6 million spent as of May 2022.[18] In response to these staffing challenges, the Cook County Board passed a resolution in July 2022 to approve a recruitment incentive and retention bonus pay pilot program.[19] Additionally, Cook County Health has contracted with several third party agencies to improve several components of the hiring process, which has significantly accelerated the rate of hiring to fill vacant positions, especially in the past three months. The Civic Federation commends the Cook County Board and Cook County Health for taking actions to increase hiring rates and move away from expensive contractual staffing agreements.

Civic Federation Recommendations

The Civic Federation offers the following **recommendations** to the Cook County Board of Commissioners.

Create a Unified Property Tax Administration Office

The Civic Federation continues to propose a longstanding recommendation that the County create a unified property tax administration office. Given the delays in property tax bills this year, now is an appropriate time for the County to revisit this idea among other property tax system reforms.

Consolidation of property tax functions within various county offices has been recommended for many decades, including as part of a 1988 Revenue Study Committee Report to the President and Board of Commissioners of Cook County, and in 2003 by then-Cook County Commissioner Mike Quigley in a Reinventing Cook County report. The Civic Federation again made this recommendation in a Cook County Roadmap report in 2010.[20] The Cook County Board, under

[17] Cook County Health, presentations on the FY2022 Proposed Budget from August 2021, and on the FY2023 Proposed Budget from August 2022.
[18] Information provided by Cook County Health on July 7, 2022.
[19] Cook County Board of Commissioners, Resolution 22-3501, available at https://cook-county.legistar.com/LegislationDetail.aspx?ID=5738027&GUID=D51A8A31-643A-428A-8580-18330D480F12&Options=Advanced&Search=&FullText=1.
[20] See Civic Federation, "Cook County Modernization Report: A Roadmap for Cook County Government," October 25, 2010, p. 154. Available at https://www.civicfed.org/sites/default/files/CookCountyModernizationReport.pdf. The Civic Federation in

the leadership of President Preckwinkle, has been supportive of this proposal in the past and considered a resolution creating a Cook County Office of Tax Administration in April 2012 via interoffice agreement. However, the State's Attorney's office concluded that the creation of such an office via an interoffice agreement would be challenged legally and that state legislation would be required in addition to holding a countywide referendum. Board President Preckwinkle was supportive of streamlining property tax administration, but believed this initiative needs in-depth analysis and public meetings before moving forward. With the President's creation of the Property Assessment and Tax Working Group, now is the right time for the working group to look at this issue.

The current structure of the property tax system administration by several different offices leads to taxpayer confusion about whom to contact with questions or complaints about their taxes, as well as inefficiencies with associated cost implications resulting from a duplication of functions and a lack of coordination among departments and agencies. The lines of responsibility are nearly impossible for ordinary taxpayers to discern and politicians exploit this fact to their political advantage. The new office should be led by an appointed, rather than elected, official.

Under such a proposal, the Treasurer's office would be merged with the portions of the County Clerk's and Auditor's Offices that deal with property tax extension, collection, property records and any other property functions. The Office would then become an appointed, rather than elected, office, which is appropriate given the ministerial role these functions play. The Civic Federation believes the Assessor's Office should remain separate from the property tax extension, redemption, collection and disbursement processes in order to avoid compromising the integrity and independence of the property assessment process.

The Federation encourages President Preckwinkle and the Cook County Board of Commissioners to again consider this proposal. The State's Attorney should also revisit the legal requirements and release any concerns to the public.

Address the Subsidy Provided to Cover Service Costs in Unincorporated Areas

A 2016 Civic Federation analysis of unincorporated Cook County found that there are few revenues generated by unincorporated areas to offset the cost of the County providing municipal services to unincorporated residents, effectively resulting in Countywide taxpayers paying an $18.9 million subsidy to these areas.[21] As of 2016, Cook County spent approximately $42.9 million in expenses related to the delivery of municipal-type services to unincorporated areas and only generated nearly $24.0 million in revenues from the unincorporated areas.[22] With the sunsetting of the County's Wheel Tax in 2023, this will further widen the gap between revenues generated in the unincorporated areas and the expense of providing services to them.

The Civic Federation continues to recommend that the County work to recoup costs associated with the delivery of municipal-type services to unincorporated areas such as policing, highway road services, building and zoning services, liquor control and animal control. The largest

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1959 supported legislation in the Illinois General Assembly that would consolidate administrative property tax functions in Cook County. Civic Federation Statement on House Bill 1346, Seventy-First Session, Illinois General Assembly (1959).

[21] See Civic Federation, "Unincorporated Cook County: A Profile of Unincorporated Areas in Cook County and Recommendations to Facilitate Incorporation," September 22, 2016, p. 45-46. Available at https://www.civicfed.org/civic-federation/publications/UnincorporatedCookCounty2016.

[22] See also Civic Federation, "Unincorporated Areas in Cook County: The Subsidy," September 28, 2016. Available at https://www.civicfed.org/civic-federation/blog/unincorporated-areas-cook-county-subsidy.

expense provided by the County in incorporated areas was for law enforcement provided by the Sheriff's Police. The County could also better account for revenues and expenditures associated with delivering the services specific to unincorporated areas by incorporating additional information into the annual budget—for example, through the creation of a municipal services fund. Finally, as recommended by President Preckwinkle's Cook County Unincorporated Task Force, the County should work with stakeholders and elected officials to get all unincorporated areas of Cook County eventually annexed into existing municipalities.[23]

Include Full Cost of County Subsidy to Cook County Health in CCH Budget

The Cook County Health budget is first introduced and approved by the health system Board of Directors in August, then incorporated into the full Cook County budget proposal each year. The budget as presented by Cook County Health includes an overview of the upcoming year expenditures compared to the past year budget and projected year-end expenditures. It does not include past year expenditures, future year forecasts, or additional information about the cost of pensions and debt that the County helps cover on behalf of Cook County Health.

The Civic Federation encourages CCH to include in its annual proposed budget presentation a breakdown of revenues and expenditures, including the total tax allocation from the County to the health system. Currently, the CCH budget presentation includes the property tax allocation directed by Cook County to the Health Fund, but excludes additional allocations for employee pension contributions and the cost of debt service. The full Cook County Executive Budget Recommendation does include this information,[24] but the full budget comes out after the CCH budget is introduced. Accounting for these additional costs would more accurately represent the full cost of Cook County Health operations. We recommend that these line items be included with the introduction of the CCH budget.

Increase Public Discussion and Transparency About Direction for Provident Hospital

Cook County Health has recently reopened the ICU at Provident after ICU operations were shut down early in the COVID-19 pandemic, and restored ambulance runs in October 2022 following a suspension spanning over a decade. CCH has taken these actions despite prior plans for Provident to serve as a regional outpatient center with limited inpatient services. Now that CCH is expanding emergency and inpatient services at Provident, it is unclear what the vision for Provident Hospital is. The reversal in strategy has never been discussed at a public meeting and is not articulated in Cook County Health's new strategic plan for FY2023-FY2025. It also runs counter to projections showing lower inpatient demand and higher outpatient demand.[25]

The Civic Federation continues to be concerned about the reversal of plans for Provident. The inpatient services planned for Provident will still be a fairly small operation, with six ICU beds and 20 medical surgical beds. The Federation would like to see the health system back up its strategy change with evidence of the need for emergency and inpatient services at Provident. The Federation urges the Cook County Board to hold a public discussion of the plans for

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[23] Cook County, "Task Force Recommends Eventual Elimination of Unincorporated Cook," April 30, 2012. Available at https://www.cookcountyil.gov/news/task-force-recommends-eventual-elimination-unincorporated-cook.
[24] See Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 23.
[25] Metrics discussed at an April 6, 2022 Cook County Health Board of Directors meeting on the Strategic Plan showed a decreasing trend overall in emergency room utilization. See https://cookcountyhealth.org/wp-content/uploads/Item-IV-Strategic-Plan-Presentation-Updated-04-06-22.pdf.

Provident, provide detailed metrics and progress updates through public meetings and public reports, and more clearly incorporate the plans for Provident into the Cook County Health Strategic Plan.

Obtain Statutory Authority for Supplemental Pension Contributions

Currently the County is providing supplemental funding to the County Pension Fund via an annual intergovernmental agreement. No legislation to allow the County to make an enhanced payment has yet been enacted by the Illinois General Assembly and signed into law by the Governor.

The contribution Cook County is required to make to its pension fund per state law—1.54 times the employee contribution made two years prior—is only about one third of the actuarially calculated contribution. As noted above, the supplemental pension contribution the County has been making since FY2016 has improved the trajectory of the pension fund and put the fund on a path to reach 100% funded by 2043.

The Civic Federation supports the proactive approach the County has taken through contributions that are closer to the actuarial recommendation, but the County still lacks statutory authority to fund pension contributions by means other than the property tax or personal property replacement tax. The supplemental contributions are being made with revenues from the County sales tax. Pension reform legislation was introduced in 2014, 2015, 2016 and again in 2019 and 2022 but was not enacted.[26] The Civic Federation urges the County Board and the pension fund to work together with the General Assembly and the Governor on legislation to codify the actuarially calculated pension contributions.

Enact a Multi-Year Intergovernmental Agreement with the Pension Fund for Supplemental Contributions

Because the County lacks state authorization, the County is providing supplemental payments to the pension fund via an intergovernmental agreement. In the absence of state legislation authorizing the supplemental pension contributions made from the sales tax, the County should implement a multi-year intergovernmental agreement with the pension fund to make several years of supplemental payments. This would allow the pension fund to implement a more long-term investment strategy by investing more in equity funds that yield higher investment returns as opposed to fixed income funds, which typically yield lower returns but are more liquid. Because the current level of statutory funding is so insufficient, the fund must be prepared for the need to liquidate assets to pay benefits because it cannot count on future years' supplementary payments.[27]

[26] Two bills, Senate Bill 1300 and House Bill 2903 were introduced in 2019 during the 101st General Assembly but neither passed. House Bill 4980 was introduced in 2022 during the 102nd General Assembly, but did not pass.
[27] Cook County Pension Committee meeting, September 26, 2018.

FY2023 FINANCIAL OUTLOOK

Each year, Cook County releases a mid-year annual report to provide end-of-year operating budget estimates and preliminary projections for the next fiscal year. The County's fiscal year runs from December 1 through November 30. The forecast indicates the financial condition in which Cook County government will be entering the next fiscal year, and identifies any budget deficit that must be closed through corrective action.

The Preliminary Forecast projected the County would end the current FY2022 with a year-end surplus of $262.7 million due to number of factors, including inflationary effects on some tax collections, increased fee revenue, increases in one-time revenues, unanticipated growth in property tax payments, payroll savings related to a tight labor market and hiring timeframe and higher-than-budgeted CountyCare membership.

The County's FY2023 Preliminary Forecast anticipated a budget deficit of $18.2 million that would need to be closed in the FY2023 budget, consisting of a $4.3 million deficit in the General Fund and a $13.9 million deficit in the Health Fund.

The $18.2 million budget gap represents the smallest estimated budget gap since Cook County Board President Preckwinkle took office in 2011, when the budget deficit was $487.0 million. In the years leading up to the COVID-19 pandemic, the County had reduced its preliminary budget gap to $18.7 million heading into the 2020 fiscal year. The economic impact of COVID-19 caused some revenue losses during FY2020 and continuing into FY2021, which led to an increase in projected budget deficits in both of those fiscal years. However, the County was able to minimize the impact of budget imbalances caused by the pandemic through the use of federal COVID-19 relief funding, sufficient general operating reserves, and increases in some revenue sources that performed well during the pandemic, combined with lower-than-anticipated expenditures. The improvement in the County's projected budget gap reflects a rebounding economy.

The budget gap in the General Fund is due to expenditures outpacing revenues by $4.3 million, and the budget gap in the Health Fund is due to expenditures outpacing revenues by $13.9 million. The County indicated that it would revise revenue forecasts to produce more updated revenue projections and work with departments to adjust expenditures to meet available revenue sources in order to produce a balanced FY2023 budget.

APPROPRIATIONS

This chapter describes Cook County's proposed appropriations for FY2023, including analyses of appropriations by fund, by object and by control officer.

FUND STRUCTURE

Cook County's operating budget consists of the following **operating funds**:

- The **General Fund** includes the Corporate and Public Safety Funds. The Corporate Fund is used for general County expenses, including property tax administration and other administrative functions. The Public Safety Fund accounts for the County's criminal justice system, including the jail and court system;
- The **Health Enterprise Fund** is used to operate the Cook County Health and Hospitals System, known as Cook County Health;

- **Special Purpose Funds** have defined sources of revenue that are restricted for particular uses. These include the Board of Election Commissioners Election Fund, the Bond and Interest Fund (used to pay debt service), the Annuity and Benefits Fund (used for payments to the pension fund), federal COVID-19 relief funds, and a number of Agency Special Purpose Funds that are allocated to various offices; and
- **Restricted Funds**, or grants.

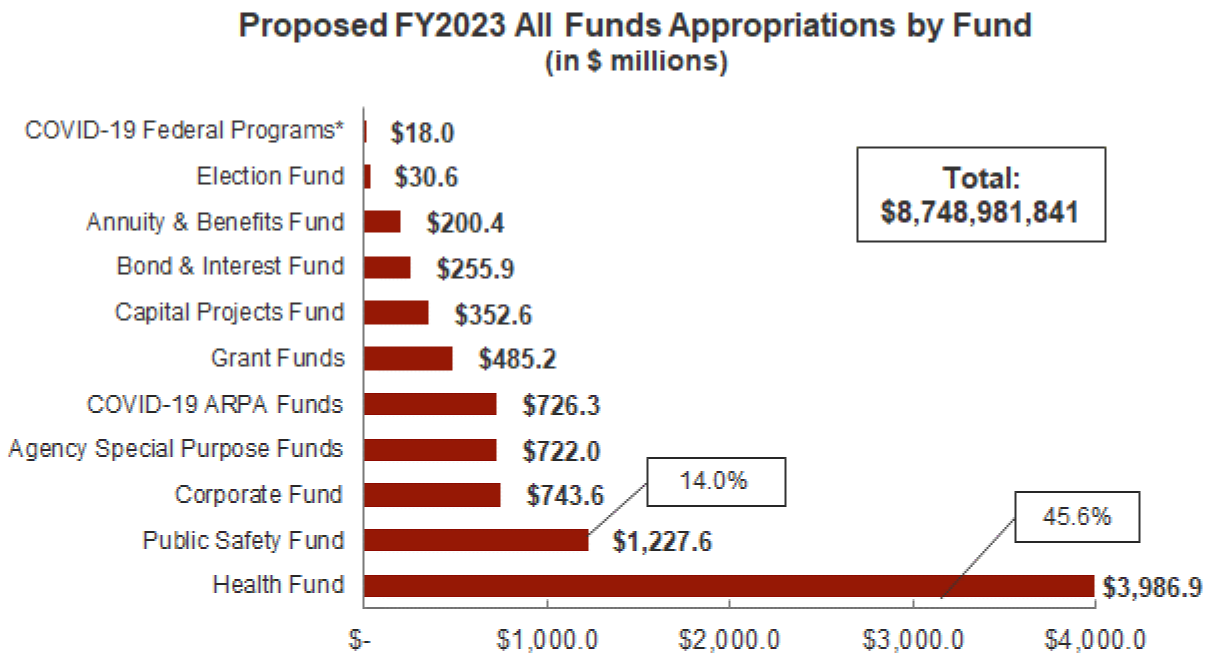
In addition to the operating funds, Cook County also maintains a **Capital Fund** to account for expenditures related to capital improvements. The structure of these funds is shown in the figure below.

Cook County Operating Funds					Non-Operating
General Fund:		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)	Capital Fund
Corporate Fund	Public Safety Fund				

APPROPRIATIONS BY FUND

The Cook County recommended budget for FY2023 proposes total spending of $8.7 billion. The following chart shows the proposed appropriations within each fund. The Health Fund is by far the largest area of spending in the Cook County budget, comprising 45.6% of the total budget, or nearly $4 billion, due to the size of Cook County Health operations. The second largest area of spending is within the Public Safety Fund at 14.0%, or $1.2 billion. The remaining funds account for smaller appropriation amounts.

The County has two funds used to account for federal COVID-19 relief funding. The COVID-19 Federal Programs fund previously accounted for CARES Act funding and now accounts for Emergency Rental Assistance, which will total $18.0 million in FY2023. The County also created a new fund in the FY2022 budget to account for COVID-19 American Rescue Plan Act (ARPA) funding. The County is proposing an appropriation of $726.3 million in ARPA Funds in FY2023.



*Previously included CARES Act funding; includes Emergency Rental Assistance funding appropriated in FY2023.
Source: Cook County, FY2023 Executive Budget Recommendation, Volume I, pp. 93-105.

The proposed appropriations of $8.7 billion in FY2023 represent an increase of 7.8%, or $634.9 million, from the FY2022 adopted budget of $8.1 billion. The following table shows Cook County appropriations for all funds by fund across the five-year period from FY2019 to FY2023. Over this five-year period, the County's total spending will increase by nearly 50% from $5.9 billion in FY2019.

General Fund appropriations are proposed to be nearly $2 billion, an increase of 1.9% from the prior year budget. While spending within the Corporate Fund is proposed to increase by $101.3 million, Public Safety Fund appropriations are expected to decrease by $139.6 million. The decrease in Public Safety Fund spending is due to a shift in transportation-related expenditures to public safety offices that previously were budgeted within the Public Safety Fund, but going forward will be directed to a special purpose Transportation Fund. The increase in Corporate Fund appropriations from FY2022 levels is due to a $69.6 million increase in fixed charges and special purpose appropriations, as well as increases in spending across a number of administrative departments.[28]

The Health Fund's appropriations of $4 billion represent an increase of $128.4 million, or 3.3%, from the FY2022 appropriation of $3.9 billion. This is due to an increase from the FY2022 adopted budget in Health Plan Services expenses due to increased managed care claims

[28] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 94.

associated with CountyCare compared to the FY2022 budget, as well as the expansion of new programs, administrative capacity and resumption of pre-pandemic ambulatory services.[29]

The County budget has a number of Special Purpose Funds that account for specific uses. The Annuity and Benefits Fund (or pension fund) and Bond and Interest Fund (which accounts for the cost of debt service, or principal and interest owed on long-term debt), are both budgeted to remain approximately the same as the FY2022 budget. The pension appropriation within the Annuity and Benefits Fund for FY2022 is $200.4 million. This is the amount statutorily required for the County's contribution to the pension fund on behalf of County employees. In addition to this amount, the County will contribute a supplemental amount of $311.7 million to the pension fund, for a total contribution of $512.1 million. The supplemental pension contribution is appropriated in the Corporate Fund.

The Election Fund is proposed to be $30.6 million, about half of what was budgeted in this fund for FY2022, due to FY2023 not being an election year.

The FY2023 proposed budget includes an appropriation of ARPA funding of $726.3 million. In FY2022, Cook County approved an appropriation of $409.6 million, however the FY2023 budget shows that the County only projects expenditures of $63 million by the end of FY2022. With a total ARPA allocation of nearly $1 billion to the County, this will leave additional funds remaining after FY2023 for use in future years. Additionally, the County is budgeting $18 million in the COVID-19 Federal Programs fund, consisting of Emergency Rental Assistance funds. The expenditures in this fund have decreased significantly as the County has spent down its federal CARES Act and other pandemic relief funds.

All other agency Special Purpose Funds are set to total $722.0 million in FY2023, which is an increase of $237.8 million, or 49.1%, from the FY2022 budget. This increase is due primarily to the creation of a new special purpose Transportation Fund. The County created the Transportation Fund to account for revenues related to transportation taxes the County collects including the County Use Tax, Gasoline and Diesel Fuel Tax, Parking Lot & Garage Operations Tax, New Motor Vehicle Tax, and Non-Retailer Transaction Use Tax, which were collected in the Public Safety Fund in prior years.[30] Beginning in FY2023, approximately $237 million in expenditures that previously were allocated to public safety departments within the Public Safety Fund will now be accounted for through the Transportation Fund.

Grant funds are expected to total $485.2 million in FY2023, an increase of $51.0 million from the FY2022 adopted budget. This allocation includes $86.6 million in new grant awards and $398.5 million in grants carried over from the prior year.[31]

[29] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 9, 82; and Cook County Health FY2023 Proposed Budget presentation, August 2022.
[30] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 39.
[31] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 65.

Appropriations Across All Funds by Fund: FY2019-FY2023
(in $ millions)

	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Adopted	FY2023 Proposed	$ Change FY2022-FY2023	% Change FY2022-FY2023
Corporate Fund	$ 537.8	$ 519.5	$ 553.4	$ 642.2	$ 743.6	$ 101.3	15.8%
Public Safety Fund	$ 1,248.8	$ 1,093.4	$ 1,221.2	$ 1,367.2	$ 1,227.6	$ (139.6)	-10.2%
Subtotal General Fund	**$ 1,786.6**	**$ 1,612.9**	**$ 1,774.5**	**$ 2,009.4**	**$ 1,971.2**	**$ (38.3)**	**-1.9%**
Health Fund	$ 3,029.2	$ 3,222.2	$ 3,721.7	$ 3,858.5	$ 3,986.9	$ 128.4	3.3%
Subtotal General & Health Funds	**$ 4,815.9**	**$ 4,835.1**	**$ 5,496.2**	**$ 5,868.0**	**$ 5,958.1**	**$ 90.1**	**1.5%**
Annuity & Benefits	$ 209.5	$ 200.9	$ 201.9	$ 202.2	$ 200.4	$ (1.8)	-0.9%
Bond & Interest	$ 259.9	$ 259.9	$ 262.0	$ 256.0	$ 255.9	$ (0.2)	-0.1%
Election Fund	$ 18.7	$ 51.3	$ 23.4	$ 60.4	$ 30.6	$ (29.8)	-49.3%
COVID-19 Federal Programs*	$ -	$ 328.8	$ 197.8	$ 56.4	$ 18.0	$ (38.3)	-68.0%
COVID-19 ARPA Funds	$ -	$ -	$ 0.2	$ 409.6	$ 726.3	$ 316.7	77.3%
Agency Special Purpose Funds	$ 175.0	$ 122.1	$ 126.2	$ 484.2	$ 722.0	$ 237.8	49.1%
Subtotal Special Purpose Funds	**$ 663.1**	**$ 963.0**	**$ 811.4**	**$ 1,468.8**	**$ 1,953.1**	**$ 484.4**	**33.0%**
Restricted Funds (Grants)	$ 248.8	$ 138.6	$ 242.1	$ 434.1	$ 485.2	$ 51.0	11.8%
Subtotal Operating Funds	**$ 5,727.8**	**$ 5,936.6**	**$ 6,549.8**	**$ 7,770.9**	**$ 8,396.4**	**$ 625.5**	**8.0%**
Capital Improvement Fund	$ 137.5	$ 105.2	$ 88.5	$ 343.2	$ 352.6	$ 9.3	2.7%
Total Appropriations	**$ 5,865.3**	**$ 6,041.9**	**$ 6,638.3**	**$ 8,114.1**	**$ 8,749.0**	**$ 634.9**	**7.8%**

*Includes CARES Act and Emergency Rental Assistance funding.

Source: Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 93-105.

APPROPRIATIONS BY OBJECT

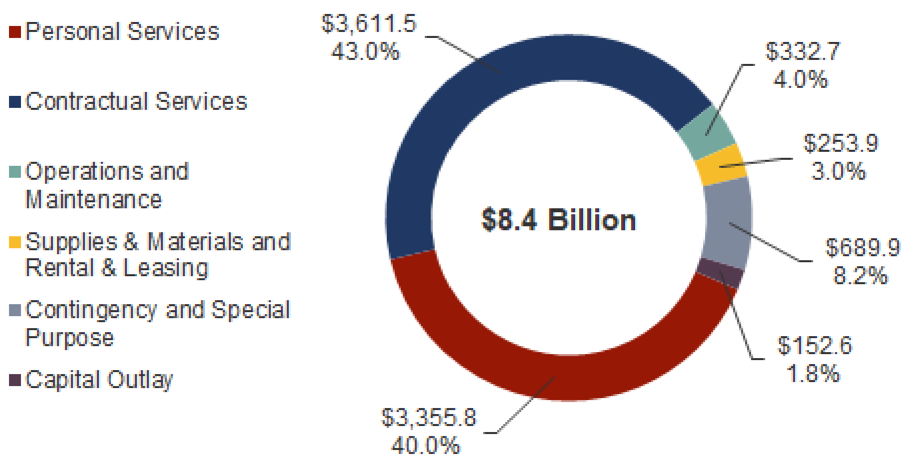
This section examines the proposed FY2023 appropriations by object classification. Object classification refers to categories of expenditures grouped together based on the similarity of purpose. The County uses the following object classifications:

- Personal Services (salaries and wages, fringe benefits and other costs directly related to the cost of supporting employees);
- Contractual Services (e.g., purchased services such as printing, transportation, communications and professional and technical services contracted by the County, as well as managed care claims paid to third-party service providers for CountyCare members);
- Supplies and Materials (e.g., food, office supplies, books and publications, lab and medical supplies, computers and printing supplies and other supplies);
- Operations and Maintenance (including utility costs and equipment repairs);
- Rental and Leasing (costs for the rental and leasing of office, automotive, medical equipment and facilities);
- Capital Outlay (includes expenditures for the acquisition of fixed assets, including land, buildings and equipment); and
- Contingencies and Special Purpose (includes various unanticipated and estimated expenditures as well as reserves).

The breakdown of spending within these object classifications for the operating funds budget, which includes all funds except for the Capital Fund, is shown in the chart below. Personal services and contractual services make up the two largest categories of spending across all operating funds. Personal services accounts for $3.4 billion, or 40.0% of total appropriations. Contractual services accounts for $3.6 billion, or 43.0% of the total budget. The remaining object classifications make up much smaller portions of spending. Contractual Services is such a large portion of total spending because of the large amount of contractual services within the Cook County Health and Hospitals System’s budget.

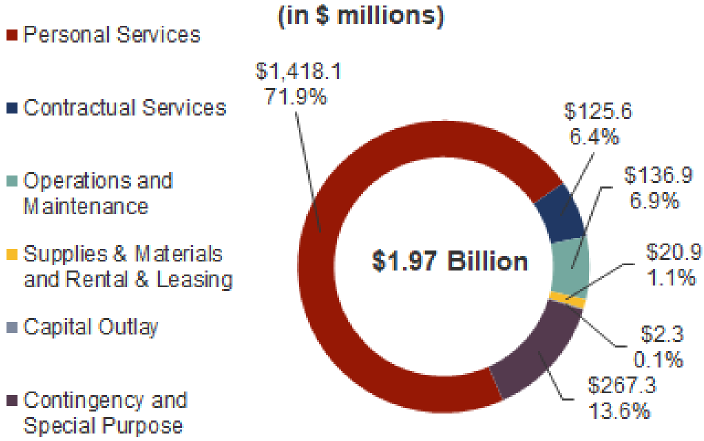
Looking separately at the General Fund and Health Fund, as shown in the charts below, Contractual Services account for the majority—71.9%, or $2.8 billion of the Cook County Health budget. These are mostly payments associated with health care providers under CountyCare, whereas Contractual Services only account for 6.4%, or $125.6 million, of General Fund appropriations. In the General Fund, Personal Services account for the majority of General Fund Spending at $1.4 billion, or 71.9%.

Proposed FY2023 Appropriations by Object: All Operating Funds (in $ millions)



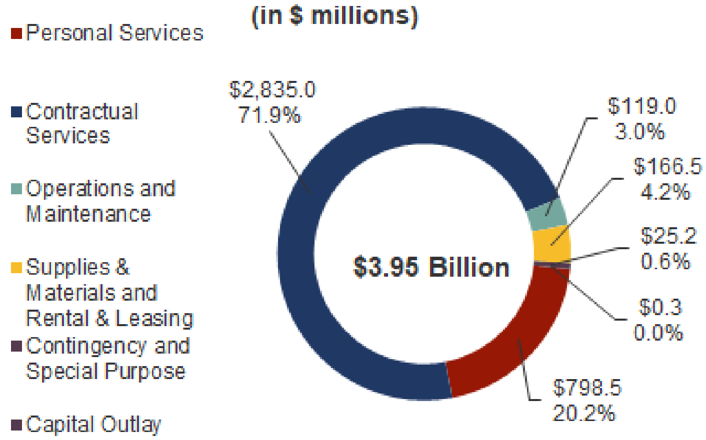
Source: Cook County FY2023 Executive Budget Recommendation, Volume I, p. 139.

Proposed FY2023 Appropriations by Object: General Funds (in $ millions)



Source: Cook County FY2023 Executive Budget Recommendation, Volume I, p. 134.

Proposed FY2022 Appropriations by Object: Health Fund (in $ millions)



Source: Cook County FY2023 Executive Budget Recommendation, Volume I, p. 134.

Appropriations by Control Officer

The separately elected and appointed Cook County officials are referred to in the budget as Control Officers. In addition to the Cook County Board President and Board of Commissioners, Cook County has a number of independently elected officials who each control their own budget and staff and therefore play important roles in the budget process.

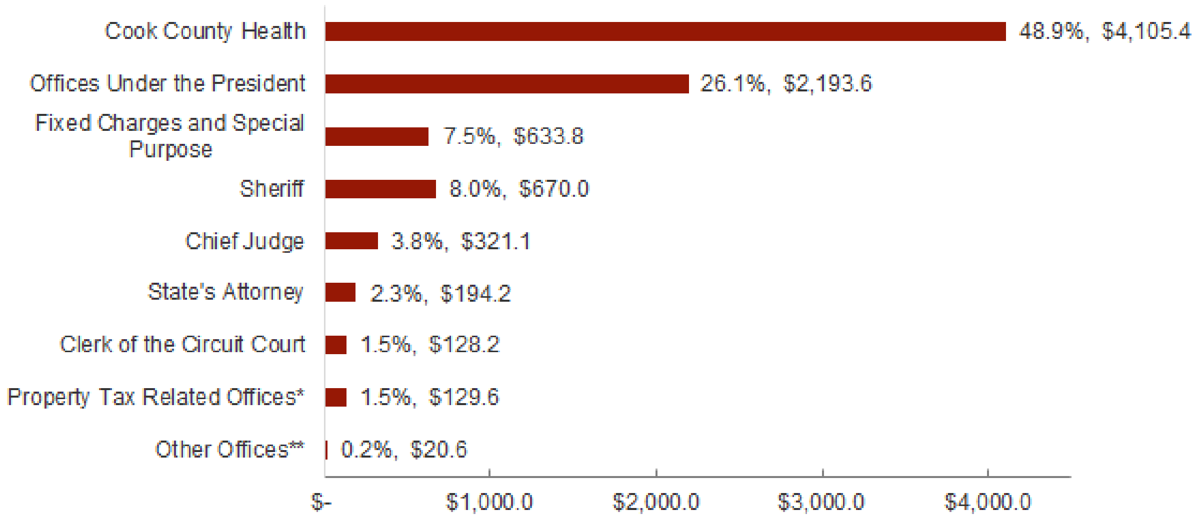
Proposed FY2023 appropriations by Control Officer are shown in the chart below. Total spending across all operating funds, which excludes capital funds, is proposed to be $8.4 billion. Cook County Health is the largest Control Officer, with appropriations of $4.1 billion, comprising nearly half of the operating budget. Offices under the Cook County Board President comprise the second largest area of spending, with a proposed budget of $2.2 billion. The President's Office includes the Cook County Public Defender and an array of administrative bureaus, including finance, human resources, technology, transportation, economic development, the Cook County Auditor and Medical Examiner.

Fixed charges and special purpose expenditures are projected to be $633.8 million in FY2023, representing 7.5% of the operating budget. Fixed charges are administrative overhead costs that are not associated with a single office and include Countywide technology costs, payments for utilities, expenses related to debt service and other Countywide costs.

The public safety offices outside of the President's Office include the Sheriff, Chief Judge, State's Attorney and Clerk of the Circuit Court. The Sheriff's Office is the largest among these Control Officers, with a proposed budget of $670.0 million in FY2023. The Chief Judge's proposed appropriations are $321.1 million, followed by the State's Attorney with a proposed appropriation of $194.2 million and the Clerk of the Circuit Court at $128.2 million.

Smaller offices compose the remaining portions of the budget. The property tax related offices including the Assessor, Treasurer, Board of Review and County Clerk together will account for $129.6 million in appropriations.

Proposed FY2023 Appropriations by Control Officer: All Operating Funds (in $ millions)
Total: $8.4 Billion



*Property Tax Related Offices include the Assessor, Treasurer, Board of Review and County Clerk.
**Other offices include the Board of Commissioners, Inspector General, Public Administrator, Board of Election Commissioners and Cook County Land Bank Authority.
Source: Cook County FY2023 Executive Budget Recommendation, Volume I, p. 140.

The next two sections examine Cook County spending by Control Officer within the General and Health Funds, which are two of the County's primary operating funds that together account for 73% of the total County budget.

General Fund Appropriations

Shown in the next table below are appropriations by Control Officer in the General Fund over the five-year period from FY2019 to FY2023. Total General Fund appropriations are proposed to be $1.97 billion in FY2023, which is an increase of $184.4 million, or 10.4%, over the five-year period. Nearly all Control Officers in the General Fund will see an increase in appropriations over this period, with the exception of the Sheriff and Clerk of the Circuit Court. Appropriations for Offices Under the President will see the largest increase of $61.6 million, or 46.3%.

While General Fund appropriations will increase between FY2019 and FY2023, they are actually proposed to decrease in FY2023 compared to the prior year budgeted levels by $38.3 million. The year-over-year decreases are set to occur within each of the public safety offices of the Public Defender, Chief Judge, Clerk of the Circuit Court, Sheriff and State's Attorney due to a shift in appropriations for a portion of these offices from the Public Safety Fund (which is part of the General Fund) to a special purpose Transportation Fund. Together these five public safety Control Officers combined account for 61.8% of the General Fund.

Fixed Charges and Special Purpose appropriations make up a substantial amount of the General Fund at $633.8 million. The FY2023 appropriation represents an increase of $162.8 million, or 34.0%, over the five years between FY2019 and FY2023. A significant portion of this category is a supplemental pension contribution from the General Fund to the Pension Fund of

$291.7 million, plus another $20.0 million to the pension reserve.[32] A portion of these appropriations also include the allocation of General Fund reserves to the self-insurance fund reserve in FY2023.

General Fund Appropriations by Control Officer: FY2019-FY2023
(in $ millions)

Office	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Adopted	FY2023 Proposed	$ Change FY19-FY23	% Change FY19-FY23
Offices Under the President	$ 136.8	$ 134.5	$ 140.4	$ 169.0	$ 198.4	$ 61.6	46.3%
Public Defender	$ 74.1	$ 75.5	$ 78.3	$ 85.2	$ 81.8	$ 7.6	10.5%
Chief Judge	$ 246.4	$ 230.9	$ 250.5	$ 279.2	$ 260.6	$ 14.2	5.8%
Clerk of the Circuit Court	$ 95.1	$ 93.9	$ 90.3	$ 104.9	$ 92.1	$ (3.0)	-3.2%
Sheriff	$ 578.1	$ 431.2	$ 554.3	$ 608.5	$ 492.4	$ (85.7)	-15.2%
State's Attorney	$ 121.0	$ 120.7	$ 126.4	$ 141.2	$ 127.8	$ 6.8	5.6%
Property Tax Related Offices*	$ 53.6	$ 55.3	$ 61.6	$ 64.9	$ 70.5	$ 16.9	32.7%
Other Offices**	$ 10.5	$ 10.6	$ 11.2	$ 12.5	$ 13.7	$ 3.2	30.3%
Subtotal Elected & Appointed Officials	**$ 1,315.6**	**$ 1,152.7**	**$ 1,313.1**	**$ 1,465.5**	**$ 1,337.2**	**$ 21.6**	**1.7%**
Fixed Charges and Special Purpose	$ 471.0	$ 460.2	$ 520.6	$ 544.0	$ 633.8	$ 162.8	34.0%
Total General Fund	**$ 1,786.6**	**$ 1,612.9**	**$ 1,833.7**	**$ 2,009.4**	**$ 1,971.1**	**$ 184.4**	**10.4%**

*Property tax related offices include the Assessor, Treasurer, Board of Review and County Clerk.
**Other offices include the Board of Commissioners, Inspector General and Public Administrator.
Source: Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 112-114.

Cook County Health Appropriations

Cook County Health (CCH) operates two hospitals—Stroger and Provident—a network of community health clinics, a managed care insurance plan called CountyCare, a public health department and health services at the County's two detention centers—the Cook County Jail (referred to in the budget as Cermak Health Services) and the Juvenile Temporary Detention Center (JTDC). These appropriations are budgeted within the County's Health Fund, which makes up 45% of the County's total budget.

Cook County Health's proposed appropriations for FY2023 total nearly $4.0 billion, an increase of $128.4 million or 3.3%, from the FY2022 adopted budget. Appropriations for Cermak Health Services and the Ambulatory Community Health Care Network (ACHN), which is a network of 12 community health centers that provides primary and specialty outpatient care, will both decrease slightly from the prior year appropriation. But all other Cook County Health departments are proposed to receive budget increases in the upcoming year. Provident Hospital's appropriation is proposed to be $81.8 million, which is an $8.1 million, or 11.0%, increase from FY2022. Stroger Hospital is set to receive a $44.7 million increase in spending, bringing the total proposed appropriation for Stroger Hospital to $855.2 million. Managed Care, which is the largest line item in the CCH budget and accounts for the health system's CountyCare insurance plan, is proposed to be $2.65 billion in FY2023. This is an increase of $45.0 million over the prior year, due to an anticipated increase in managed care claims.[33]

The following table presents Health Fund appropriations for Cook County Health over the five-year period from FY2019 to FY2023. Cook County Health appropriations proposed in FY2023 represent a $957.7 million, or 31.6%, increase over the five-year period between FY2019 and FY2023. The majority of the increase, or $743.2 million, is within Managed Care. This reflects an increase in CountyCare membership during this time period due to the suspension of automatic redeterminations by the State of Illinois throughout the COVID-19 pandemic to ensure Medicaid recipients did not lose healthcare coverage, which led to an increase in the number of

[32] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 4.
[33] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 9.

people assigned to the CountyCare health insurance plan as opposed to other Medicaid plans. CountyCare Membership levels carry an associated cost in medical claims from healthcare providers in the plan's network. The number of members in the CountyCare health plan increased from 371,000 in September 2020 to an expected peak of 426,479 in December 2022.[34] CCH expects the average monthly membership to decrease to 391,000 in FY2023 due to an anticipated resumption of redeterminations by the State once the public health emergency is lifted.[35]

Stroger and Provident Hospitals will also see increases in appropriations in FY2023. Stroger Hospital expenditures are projected to be $855.2 million in FY2023, which is a $107.7 million, or 14.4% increase over the past five-year period. Over this period, personnel at Stroger has increased by 273 positions. Provident Hospital appropriations are proposed to be $81.8 million, which is an increase of $27.0 million, or 49.3%, over the past five years. Provident expenditures will increase to restore operations of the ICU, accept ambulances, and expand a number of services including colonoscopies, surgical capacity, dialysis, ophthalmology and physical and occupational therapy.[36] Following a downgrade in the facility's emergency room to a less heavily staffed standby facility,[37] the health system reversed course and reopened the ICU and restored ambulance runs in October 2023 for the first time since 2011.[38] The hospital announced it would open six ICU beds based on an anticipated average daily census of four patients and a projected medical surgical daily census of 20, up from 11.7 in FY2021 and 12.4 in FY2022.[39] The FY2023 budget projects that Provident will have 1,178 inpatient admissions, compared to 900 projected for FY2022.[40]

The Ambulatory and Community Health Network (ACHN) is a network of 12 community health centers that coordinates primary and specialty outpatient care in community and hospital outpatient settings. Appropriations for ACHN are proposed to be $129.6 million in FY2023, which is a 19.4% increase over the five-year period beginning in FY2019. The increase in spending within ACHN is due a reorganization that shifted ambulatory clinics from Stroger and Provident to ACHN to consolidate all outpatient activity under the same leadership, which includes a shift of 478 FTEs from the hospital budgets to the ACHN budget in FY2022.[41] The reorganization was meant to integrate primary and specialty care with a focus on patient navigation and did not affect the location where these personnel will work.[42]

Spending on health services at Cermak (Cook County Jail) is proposed to increase by 11.8% or $9.6 million between FY2019 and FY2023 to $91.6 million. Spending at the Juvenile Temporary Detention Center (JTDC) will increase by 66.6% over the five-year period to $9.7 million. JTDC Health costs rose beginning in FY2019, when the health system began providing mental health

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[34] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 83.
[35] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 83.
[36] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 83.
[37] In 2020, the health system suspended the ICU based on a study showing 85% of ER patients could be seen in an outpatient setting. Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Board meeting, August 28, 2020.
[38] At the October 28, 2022 Cook County Health Board of Directors meeting, CCH announced it had restored ambulance runs at Provident and received 70 ambulances within the first week.
[39] Cook County Health, presentations on the FY2022 Proposed Budget from August 2021, and on the FY2023 Proposed Budget from August 2022.
[40] Cook County Health presentation on the FY2023 Proposed Budget, August 2022.
[41] Cook County, FY2022 Executive Budget Recommendation, Volume I, p. 85.
[42] Cook County Health Departmental Budget Hearing on the FY2022 Budget, October 26, 2021.

services at the facility as part of the County's settlement of a budget dispute with the Chief Judge's Office.

Appropriations within the Department of Public Health will double over the five-year period to $21.7 million. The Department is set to receive additional 44 personnel positions over the FY2022 adopted budget, driven primarily by a shift in FTE positions from grant funding to the Department of Public Health's operating budget.[43]

Health System Administration appropriations are proposed to increase by $35.3 million, or 69.7%, over the five-year period to a total of $85.9 million from $50.6 million in FY2019. This department is also set to receive an increase of 62 FTE positions in FY2023 over the level of FY2022 budgeted positions. The increase in Health System Administration is due to the establishment of a Strategic Planning and Implementation Office and Equity and Inclusion Office. This department will incorporate the establishment of the Change Institute announced by CCH leadership in March 2022. Personnel increases within Health System Administration will also include positions related to human resources, marketing, strategic planning and revenue cycle.[44]

Appropriations at Oak Forest Health Center have decreased to $0 as part of a planned end to all Cook County Health activities at the Oak Forest property by the end of FY2020. The Oak Forest clinic moved to Blue Island in FY2020 and other operations have been relocated. This has relieved the health system of maintenance and utility expenses at the site.[45]

Cook County Health and Hospitals System Appropriations: FY2019-FY2023
(in $ millions)

Department	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Adopted	FY2023 Proposed	$ Change FY19-FY23	% Change FY19-FY23
Health System Administration	$ 50.6	$ 44.8	$ 45.4	$ 53.6	$ 85.9	$ 35.3	69.7%
Cermak Health Services	$ 82.0	$ 84.2	$ 79.9	$ 97.4	$ 91.6	$ 9.6	11.8%
JTDC Health Services	$ 5.8	$ 6.7	$ 6.5	$ 8.6	$ 9.7	$ 3.9	66.6%
Provident Hospital	$ 54.8	$ 56.8	$ 56.5	$ 73.7	$ 81.8	$ 27.0	49.3%
Ambulatory and Community Health Network	$ 108.6	$ 83.0	$ 79.0	$ 132.6	$ 129.6	$ 21.1	19.4%
CORE Center	$ 23.5	$ 22.1	$ 22.0	$ 24.6	$ 25.1	$ 1.6	6.8%
Department of Public Health	$ 10.7	$ 8.1	$ 13.5	$ 17.8	$ 21.7	$ 10.9	101.7%
Managed Care	$ 1,903.6	$ 2,139.4	$ 2,618.1	$ 2,601.8	$ 2,646.8	$ 743.2	39.0%
Stroger Hospital	$ 747.5	$ 726.4	$ 760.3	$ 810.4	$ 855.2	$ 107.7	14.4%
Oak Forest Health Center	$ 9.7	$ 9.7	$ 0.0	$ -	$ -	$ (9.7)	-100.0%
Fixed Charges and Special Purpose Appropriations	$ 32.5	$ 41.0	$ 40.4	$ 38.0	$ 39.6	$ 7.1	21.8%
Total	**$ 3,029.2**	**$ 3,222.2**	**$ 3,721.7**	**$ 3,858.5**	**$ 3,986.9**	**$ 957.7**	**31.6%**

Source: Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 95.

[43] Cook County, FY2023 Executive Budget Recommendation, Volume I, p. 84.
[44] Cook County Health presentation on the FY2023 Proposed Budget, August 2022.
[45] Cook County FY2021 Executive Budget Recommendation, Volume II p. E-112.

RESOURCES

This chapter examines Cook County's total budget resources estimated for FY2023, General Fund and Health Fund resources over the past five years and the County's property tax levy over the past five years. Resources are revenues from various taxes, such as the property tax, sales tax, use tax and other consumer taxes; fees and licenses; intergovernmental revenue from the State of Illinois; and other sources, such as prior year reserves.

COVID-19 Funding: Cook County received a total of $1 billion in federal American Rescue Plan Act (ARPA) funding in FY2021 and FY2022.[46] The County plans to spend its total ARPA allocation of $1 billion over a period of three to five years, with approximately $320.0 million being approved in March FY2022 to support community initiatives through their Long-Term Strategic Plan. The proposed FY2023 budget allocates $14.7 million in ARPA revenue replacement funds to and to pay for ongoing operating expenses, plus $271.0 million for second-year allocations for County community initiatives.[47]

These ARPA funds are in addition to $429 million in federal coronavirus relief funding through the CARES Act that Cook County received in FY2020. This funding was required to be spent by the end of the 2020 calendar year. While the CARES Act funding was restricted for specific public health and public safety purposes, the ARPA funds may be spent on general operations and to replace revenue lost as a result of the COVID-19 economic downturn.

PROPOSED FY2023 RESOURCES FOR ALL FUNDS

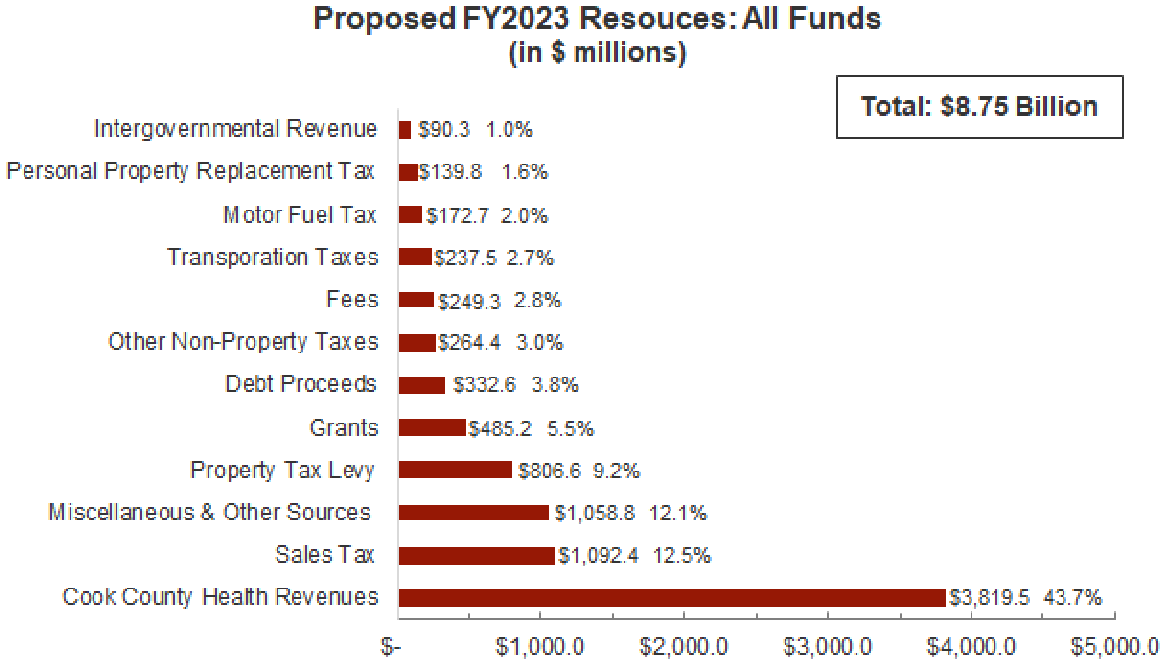
Cook County proposes total resources for all funds of $8.75 billion in FY2023, compared to $8.11 billion budget adopted in the prior year. The chart below provides the proposed distribution of all resources in FY2023.

Cook County Health fees account for nearly half of total revenue at $3.8 billion or 43.7%. The sales tax is the second largest revenue source, accounting for 12.5% of resources, or nearly $1.1 million. Miscellaneous and other sources of revenue also make up a significant portion of FY2023 proposed resources at over $1 billion, or 12.1%. This includes the use of federal ARPA COVID-19 relief funds. Property tax revenue, which includes Tax Increment Financing (TIF) surplus declared by the City of Chicago, will account for 9.2% of total resources at $806.6 million. Other non-property taxes are expected to account for $264.4 million in revenue or 3.0%. Non-property tax sources include the County use tax, State income tax and various consumer taxes such as the alcohol, cigarette, gambling machine, amusement and cannabis taxes.

Transportation taxes account for $237.5 million, or 2.7%, of the total resources. The taxes are accounted for in the County's new Transportation Fund, which collects revenue from the County Use Tax, Gasoline and Diesel Fuel Tax, Parking Lot and Garage Operations Tax, New Motor Vehicle Tax, and Non-Retailer Transactions Use Tax.[48] Fees collected by various County offices for services like vital records and permits will make up 2.8% of resources at $249.3 million. Intergovernmental revenue will make up 1.0% of resources, totaling $90.3 million. This includes approximately $2.2 million in reimbursements from the County Forest Preserve District for administrative services rendered on their behalf, $54.4 million in reimbursements from the State of Illinois for partial reimbursements of the salaries of the State's Attorney and Public

[46] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 7.
[47] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 10-11.
[48] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 58.

Defender and for Administrative Office of the Illinois Courts (AOIC) reimbursements for the salaries of certain staff who work on adult and juvenile probation. There are also $13.4 million in indirect costs from Special Purpose Funds and Grants that are reimbursed back to the County General Fund.[49]



Source: Cook County FY2023 Budget Recommendation, Volume 1, p. 38.

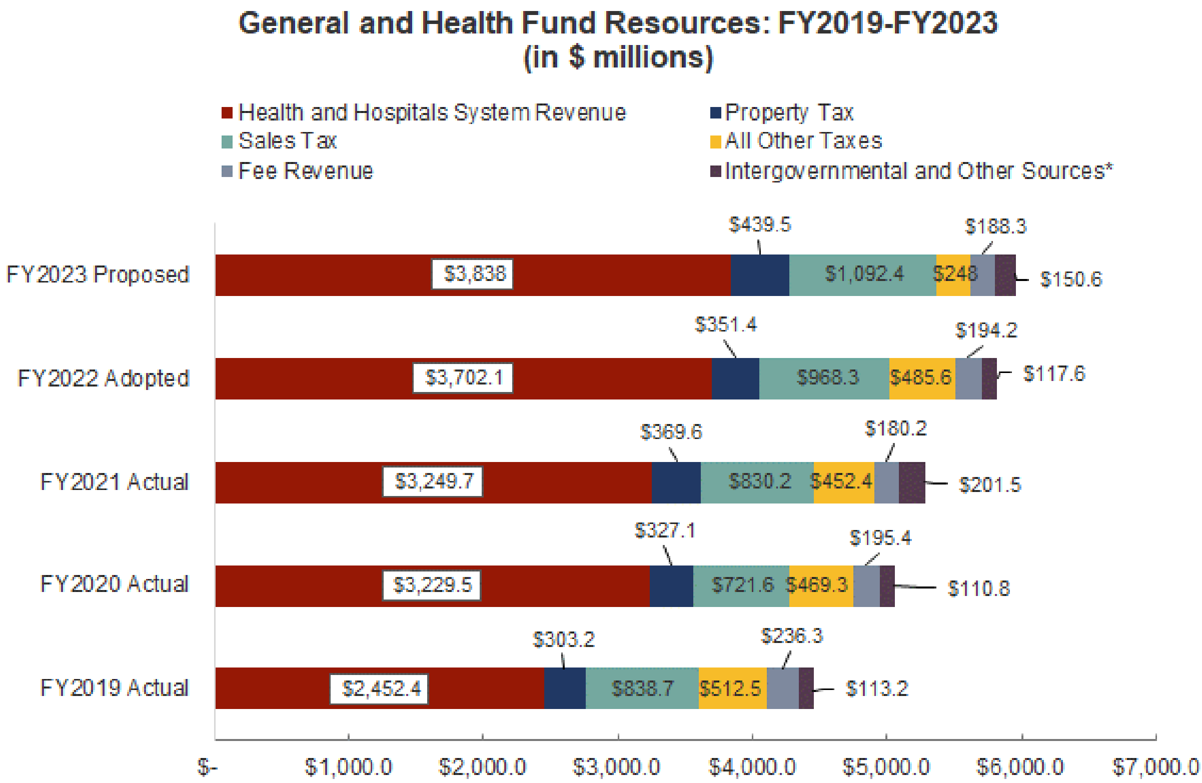
General Fund and Health Fund Resources

The General Fund and Health Fund are Cook County's two primary operating funds that account for the majority of general operations. Within both the General and Health Fund, resources are projected to total $6.0 billion in FY2023. This represents an increase of 33.7% over the five-year period from FY2019 to FY2023. In FY2019, General and Health Fund resources were $4.5 billion. This is an increase of $1.5 billion over the past five years. The increase primarily has taken place within the Health Fund, which is described in further detail below. As shown in the following chart, Health Fund resources increased from $2.5 billion in FY2019 to a projected $3.8 billion in FY2023.

While Health Fund resources have increased most significantly in the five years shown in the chart below, other major resource categories have also increased over this period. Property tax revenue to the General and Health Funds increased from $303.2 million to $439.6 million, which is an increase of 45.0%. Sales tax revenue, which serves as the largest tax source for the

[49] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 50.

County's General Fund, increased from $838.7 million in FY2019 to a projected level of $1.1 billion in the proposed FY2023 budget.



Source: Cook County FY2023 Budget Recommendation, Volume 1, pp. 34-35 & 56-57; and FY2022 Annual Appropriation Bill, Volume I, pp. 34-35.

General Fund Resources

The General Fund is supported by a variety of tax and fee sources. Proposed resources to the General Fund in FY2023 total $1.97 billion, which is a decrease of 0.4% below the prior year adopted budget of $2.0 billion. General Fund resources over the five-year period from FY2019 to FY2023 are shown in the next chart.

The largest source of revenue to the General Fund is the sales tax. Sales tax revenue is projected to increase from $968.3 million to nearly $1.1 billion between FY2022 and FY2023. The increase is due to higher prices for motor fuel and other goods as well as the inclusion of remote sales to County residents from out-of-state retailers in the sales tax base. The General Fund will also receive $291.8 million of the County's property tax revenue in FY2023, compared to $213.7 million in FY2022. Included in this amount is $23.5 million in TIF surplus from the City of Chicago and suburbs, proportional to the Cook County share of the tax bill (the County receives 7% of the City of Chicago's TIF surplus). The increase from FY2023 is also due to the State tax on business income from corporate profits.[50]

[50] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 8.

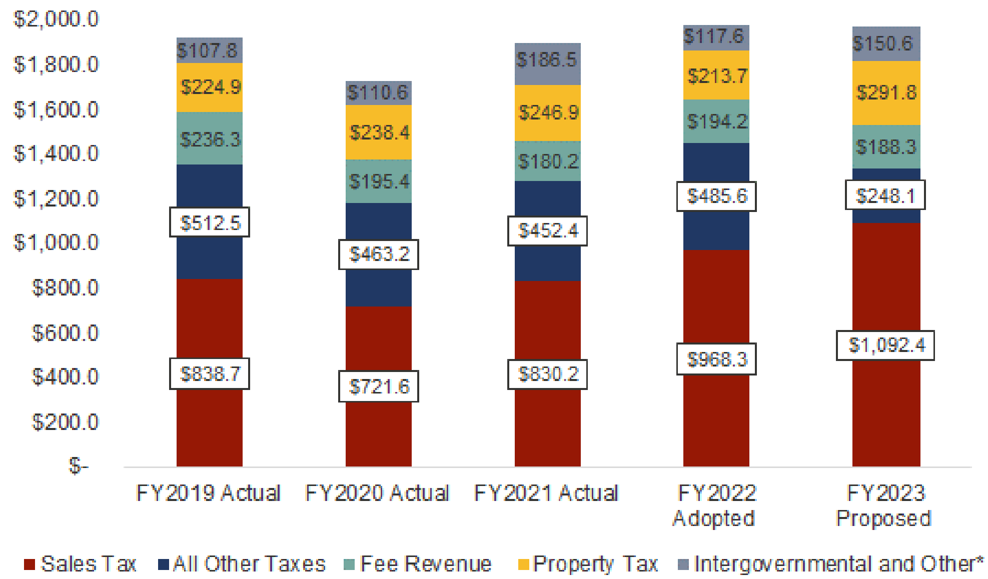
Fee revenue is collected by various County offices, including the Clerk of the Circuit Court, County Clerk, Treasurer, Sheriff, State's Attorney, Medical Examiner and Assessor. These various departments charge fees for a variety of services such as vital records, real estate transactions, court case filings, and delinquent taxes. Fee revenue is expected to total $188.3 million in FY2023. This is a decline of 6.0% from $194.2 million the prior year. The decline is due to a projected reduction in fees collected by the Clerk of the Circuit Court due to the elimination of cash bail, as well as reduction in County Clerk fee collections due to a slowdown in real estate transactions.[51]

Other tax revenue, excluding the property tax and sales tax, is projected to total $248.1 million in FY2023, down from $485.6 million budgeted in the prior year. Other tax revenues include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, gambling and hotel stays. In FY2019, revenue from other tax sources was $512.5 million, which declined to $463.2 million in FY2020 and then to $452.4 million in FY2021 due to the economic disruptions of the pandemic. The $237.5 million reduction in other tax revenue from $485.6 million in the FY2022 budget to $248.1 million in FY2023 is due to the County shifting a number of transportation tax sources to a new special purpose Transportation Fund in order to comply with a constitutional amendment that requires transportation tax sources to be directed toward road and transit projects. The County projects other tax revenue to increase through FY2027 due to taxes on casinos and gambling machines, but this is dependent upon construction and the opening of additional casinos in the County between FY2023 and FY2025.[52]

Other revenue includes miscellaneous revenue (i.e., commissions on public telephones, real estate rental income, sale of excess real estate, proceeds from the estates of unknown heirs, investment income, other forms of revenue such as energy efficiency rebates, and the sale of salvage), indirect costs (reimbursements from special purpose funds to the General Fund), and intergovernmental revenue (reimbursements from the State Administrative Office of the Illinois Courts (AOIC) to subsidize adult and juvenile probation salaries and from the Cook County Forest Preserve District for administrative services). Also, the County is planning to allocate $30 million in FY2023 from the FY2022 unassigned ending fund balance to their new Infrastructure and Equipment Fund.[53]

[51] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 47.
[52] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 30.
[53] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 6 and 37.

General Fund Resources: FY2019-FY2023
(in $ millions)



Source: Cook County FY2023 Budget Recommendation, Volume 1, pp. 34 & 56-57; and FY2022 Annual Appropriation Bill, Volume I, pp. 34-35.

The following table provides additional detail about the other tax sources outside of the sales tax and property tax that make up a significant portion of General Fund revenue. These tax sources are economically sensitive and many were impacted by the COVID-19 pandemic. As shown in the table, many revenue sources declined over the five-year period from FY2019 to FY2023. Several transportation-related tax sources have been moved out of the General Fund into a newly created Transportation Fund including the County use tax, gasoline and diesel fuel tax, parking lot/garage operations tax, new motor vehicle tax and the non-retailer transfers of motor vehicles tax. The Wheel Tax, which is an annual license fee that authorizes the use of any motor vehicle within the unincorporated area of the County, is not estimated to bring in revenue in FY2023 because it sunsets on June 30, 2023.[54] The sweetened beverage tax has not generated revenue for several years since it was repealed by the County Board. The County also has redirected revenue from the Firearms and Ammunition Tax and Cannabis Tax to a special purpose Equity Fund to fund violence prevention programs and related services.

Over the five-year period between FY2019 and FY2023, some tax revenues have increased significantly, in particular those related to gambling. The sports betting tax, instituted in FY2020, has increased to $7 million in FY2023 due to growth in the sports wagering market as more sports books come online following a 2019 Illinois State gambling expansion law. Casino revenue has increased by $5.2 million, or 59.9%, from $8.8 million in FY2019 to $14 million in FY2023, and is expected to continue to grow with the addition of new casinos expected to open in Cook County over the next three years. Gambling machine tax revenue is expected to increase by 47.8% over the five-year period due to an increase in electronic gambling machines following the County Board's vote in FY2018 to institute license and application fees for video gaming terminals. The only other tax source that has increased over the past five years is the State sales tax, which has increased by $1.9 million, or 57.8% from $3.2 million to $5.1 million in FY2023.

[54] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 44 and 59.

In the two-year period between FY2022 and FY2023, almost all tax sources outside of those transferred to the new Transportation Fund are projected to increase, including gambling taxes as well as the hotel accommodations tax, which is projected to increase by $7 million, or 32.6% from $21.5 million in FY2022 to $28.5 million in FY2023.[55] The projected revenue of $248.1 million in FY2023 is a $239.2 million, or 49.1%, decrease from the FY2022 adopted budget.

Other Tax Sources: FY2019-FY2023 (in $ thousands)

Tax Source	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Adopted	FY2023 Proposed	$ Change FY2022-FY2023	% Change FY2022-FY2023	$ Change FY2019-FY2023	% Change FY2019-FY2023
Use Tax	$ 85,031.4	$ 79,265.7	$ 70,100.0	$ 82,000.0	$ -	$ (82,000.0)	-100.0%	$ (85,031.4)	-100.0%
Non-Retailer Transactions Use Tax	$ 16,040.4	$ 15,369.2	$ 15,250.0	$ 16,250.0	$ -	$ (16,250.0)	-100.0%	$ (16,040.4)	-100.0%
Gas Tax	$ 94,964.5	$ 82,585.4	$ 87,000.0	$ 92,250.0	$ -	$ (92,250.0)	-100.0%	$ (94,964.5)	-100.0%
Alcoholic Beverage	$ 39,273.2	$ 35,995.4	$ 36,300.0	$ 37,300.0	$ 37,500.0	$ 200.0	0.5%	$ (1,773.2)	-4.5%
Retail Sale of Motor Vehicles	$ 3,096.3	$ 2,667.5	$ 2,300.0	$ 2,750.0	$ -	$ (2,750.0)	-100.0%	$ (3,096.3)	-100.0%
Wheel Tax	$ 4,047.9	$ 3,486.6	$ 4,800.0	$ 4,500.0	$ -	$ (4,500.0)	-100.0%	$ (4,047.9)	-100.0%
Off Track Betting Commissions	$ 1,207.8	$ 652.1	$ 1,000.0	$ 960.0	$ 900.0	$ (60.0)	-6.3%	$ (307.8)	-25.5%
Illinois Gaming - Casino	$ 8,755.3	$ 6,090.0	$ 7,300.0	$ 11,000.0	$ 14,000.0	$ 3,000.0	27.3%	$ 5,244.7	59.9%
Amusement Tax	$ 38,690.2	$ 12,515.3	$ 24,265.0	$ 36,250.0	$ 37,250.0	$ 1,000.0	2.8%	$ (1,440.2)	-3.7%
Parking Lot / Garage Operations	$ 50,497.2	$ 30,295.8	$ 43,000.0	$ 38,000.0	$ -	$ (38,000.0)	-100.0%	$ (50,497.2)	-100.0%
State Income Tax	$ 14,462.3	$ 15,584.2	$ 12,623.6	$ 17,000.0	$ 20,259.0	$ 3,259.0	19.2%	$ 5,796.7	40.1%
Cigarette and Other Tobacco	$ 113,156.3	$ 157,581.9	$ 103,100.0	$ 96,300.0	$ 92,750.0	$ (3,550.0)	-3.7%	$ (20,406.3)	-18.0%
State Sales Tax (Retailer's Occupation)	$ 3,232.6	$ 2,772.3	$ 3,146.8	$ 3,560.0	$ 5,102.0	$ 1,542.0	43.3%	$ 1,869.4	57.8%
Firearms and Ammunition Tax	$ 1,227.1	$ 1,844.2	$ 1,200.0	$ 1,650.0	$ -	$ (1,650.0)	-100.0%	$ (1,227.1)	-100.0%
Gambling Machine Tax	$ 2,639.2	$ 2,705.7	$ 3,500.0	$ 3,500.0	$ 3,900.0	$ 400.0	11.4%	$ 1,260.8	47.8%
Hotel Accommodations	$ 35,556.1	$ 12,183.6	$ 19,500.0	$ 21,500.0	$ 28,500.0	$ 7,000.0	32.6%	$ (7,056.1)	-19.8%
Sweetened Beverage Tax	$ 355.3	$ -	$ -	$ -	$ -	$ -	0.0%	$ (355.3)	-100.0%
Video Gaming Tax	$ 256.7	$ 390.7	$ 550.0	$ 750.0	$ 900.0	$ 150.0	20.0%	$ 643.3	250.6%
Cannabis Tax	$ -	$ 1,139.3	$ 13,905.1	$ 16,750.0	$ -	$ (16,750.0)	-100.0%	$ -	0.0%
Sports Betting Tax	$ -	$ 91.5	$ 3,575.0	$ 5,000.0	$ 7,000.0	$ 2,000.0	40.0%	$ 7,000.0	0.0%
Total	**$ 512,489.6**	**$ 463,216.2**	**$ 452,415.5**	**$ 487,270.0**	**$ 248,061.0**	**$ (239,209.0)**	**-49.1%**	**$ (264,428.6)**	**-51.6%**

Sources: Cook County FY2023 Executive Budget Recommendation, Volume I, pp. 33-35; Cook County FY2022 Annual Appropriation Bill, Volume 1, pp. 34-35; Cook County FY2021 Annual Appropriation Bill, Volume 1, pp. 50-51; FY2020 Annual Appropriation Bill, Volume 1, pp. 42-43; and FY2019 Annual Appropriation Bill, Volume 1, p. 41.

[55] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 44 and 46.

Health Fund Resources

The Health Fund is an enterprise fund that accounts for the operations of the Cook County Health and Hospitals System, or Cook County Health. As an enterprise fund, it is meant to be self-supporting, funded by fees for services. Cook County Health's operating revenues come mainly from Medicaid, the joint federal-state program that finances healthcare services for low-income people and people with disabilities. The two major categories of revenue are Health Plan Services and Health Care Services. Health Plan Services consist of the County's managed care programs: CountyCare, a Medicaid managed care plan, and MoreCare, a Medicare Advantage plan. However, the MoreCare program is sunsetting beginning in 2023. Health Care Services revenue consists of payments from Medicaid, Medicare and other managed care organizations whose members use health system services. Additionally, Cook County Health receives supplemental Medicaid payments not tied to individual patient care that are designed for hospitals that serve low-income and uninsured patients. These include Disproportionate Share Hospital (DSH) payments[56] and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).[57]

Total Health Fund revenue is projected to be nearly $3.9 billion in FY2023, compared to $3.7 billion in FY2022. This is an increase of $118.4 million, or 3.2%, from the prior year adopted budget. The is due to Health Plan Services increasing by $2.65 billion in FY2023, which is $17.3 million higher than the prior year due to a slight increase in CountyCare membership.[58] However, there are major declines within the Health Fund through Health Care Services by $139.3 million, or 20.7%, due to the sunsetting of MoreCare[59] and a $39.0 million, or 21.8%, decline in Disproportionate Share Hospital (DSH) payments.

Across the five-year period from FY2019 to FY2023, shown in the chart below, Cook County Health's revenue will increase by 42.9%, or $1.2 billion, from nearly $2.7 billion in FY2019 to $3.9 billion. The largest area of revenue growth during this five-year period has been Health Plan Services due to growth in the CountyCare and MoreCare managed care plans. Health Care Services will increase over this five-year period from $474.1 million to $811.8 million, an increase of 71.3% or $337.9 million.

BIPA and DSH reimbursements have decreased between FY2019 and FY2023. Other miscellaneous sources include Public Health Department fees, revenue from the cafeteria, medical records, parking and physician's fees, investment income and reimbursements for

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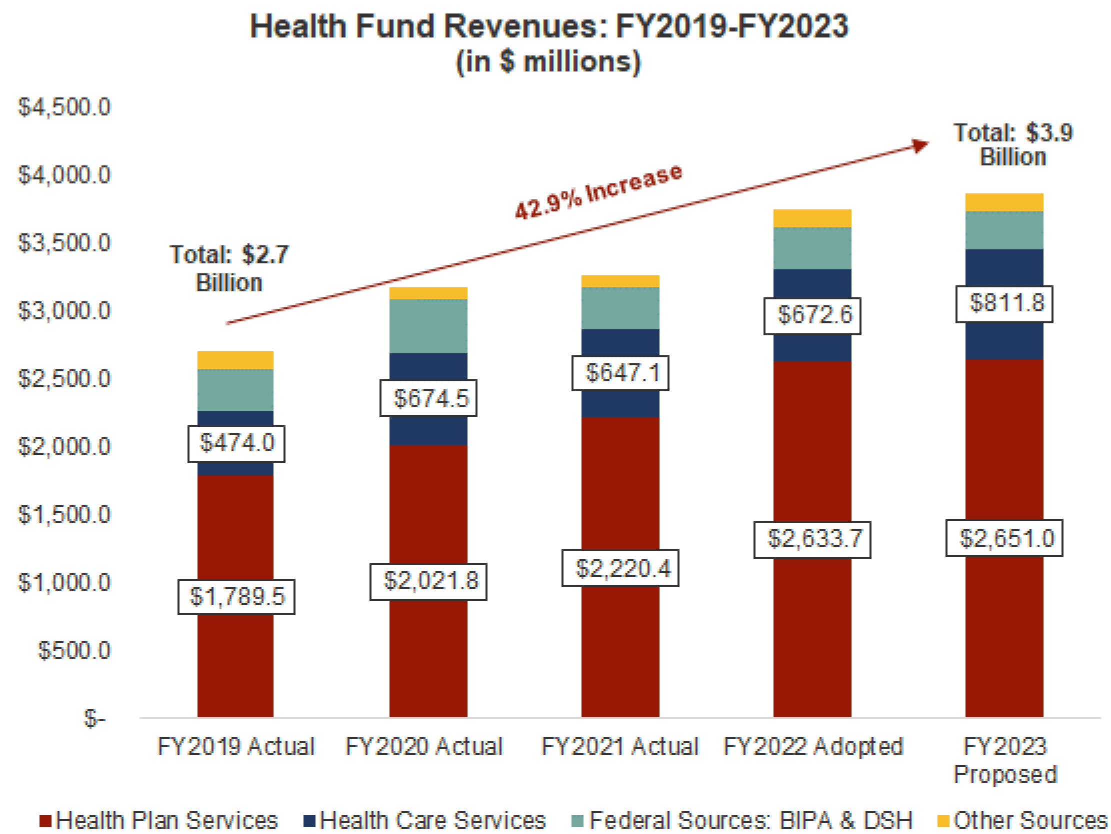
56 Federal law requires states to make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid.

57 Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2). BIPA payments are provided under federal legislation that earmarked up to $375 million annually to U.S. public hospitals serving mainly low-income patients and satisfying other criteria that were only met by the health system. Of the total allocation, about 65% goes to the State and 35% is kept by the health system. Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

58 Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 3.

59 Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 37.

Graduate Medical Education. This small category of other revenue sources will also slightly decline in FY2023 from FY2019 by $4.1 million or 3.2%.



Source: Cook County FY2023 Budget Recommendation, Volume 1, p. 34; and FY2022 Annual Appropriation Bill, Volume I, p. 34-35.
Note: Health Plan Services includes all types of CountyCare revenue and Health Care Services includes CCH Medicare, Medicaid, and Private Payors revenue, which are also known as patient fees.

Revenues for Cook County Health discussed above do not quite cover the health system's total expenditures. While revenues total nearly $3.9 billion in the FY2023 budget proposal, they fall short of proposed appropriations by $147.7 million. The County bridges the gap between the system's projected expenditures and operating revenues through an annual tax allocation. Since FY2019, the tax subsidy provided to Cook County Health has consisted of revenues from property taxes. Previously, other tax sources were included in this subsidy. The FY2023 County tax allocation to Cook County Health is $147.7 million, an increase of $10 million from the prior year.

In addition to the annual tax allocation for operations, the County also pays for health-system-related pension costs and debt service. In FY2023, these additional County contributions total $320.5 million, consisting of $173.8 million in statutorily required and supplemental pension payments and $146.7 million in debt service payments. The total subsidy to Cook County Health in FY2023 is $468.2 million, an increase of 0.6% from the prior year. The County subsidy to the health system is shown in the table below for the five-year period from FY2019 through FY2023.

County Tax Allocation to Cook County Health:
FY2019-FY2023 (in $ thousands)

	FY2019 Adopted	FY2020 Adopted	FY2021 Adopted	FY2022 Adopted	FY2023 Proposed	$ Change FY2022-FY2023	% Change FY2022-FY2023
Operating Tax Allocation	$ 72,704.9	$ 82,704.9	$122,704.9	$137,704.9	$ 147,704.92	$ 10,000.0	7.3%
Net Statutory Pension Payments	$ 67,285.3	$ 68,898.6	$ 60,370.9	$ 75,512.2	$ 70,917.4	$ (4,594.8)	-6.1%
Supplemental Pension Payments	$112,501.4	$107,537.4	$102,261.5	$121,092.0	$ 102,881.6	$ (18,210.4)	-15.0%
Debt Service Payments	$136,741.2	$140,664.9	$136,408.4	$130,968.0	$ 146,702.4	$ 15,734.3	12.0%
Total	**$389,232.9**	**$399,805.9**	**$421,745.6**	**$465,277.2**	**$ 468,206.2**	**$ 2,929.1**	**0.6%**

Source: Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 23; and information provided by the Cook County Department of Management and Budget Services, November 9, 2021.

Property Tax Levy for All Funds

Cook County is levying for total net property tax revenue of $783.1 million in FY2023. This accounts for an estimated 3% loss in collections from the gross levy of $797.5 million.[60] This is a very small increase of $3.3 million, or 0.4%, compared to the total net levy of $779.8 million in FY2022.

The County has held its base property tax levy flat at $720.5 million since 2001. However, since FY2013, the County has also captured tax revenue from expiring City of Chicago tax increment financing (TIF) districts and new property. Capturing revenue from expiring TIFs means that a portion of the property tax revenue collected within the expired TIF area now goes to the County instead of the TIF. It is not a tax increase. In FY2023, the County will capture a total of $77.0 million in additional property tax revenue due to the following:

- $24.6 million from expiring TIF districts;
- $48.3 million from new property; and
- $4.2 million from expiring incentives.[61]

Property tax revenues are distributed to seven major funds: Corporate, Election, Public Safety, Health Enterprise, Bond and Interest, Capital Projects and Pension (also known as the Employee Annuity and Benefit Fund). The net levy includes the base property tax levy plus the levy for expiring TIF districts, and property tax incentives and new property, minus the estimated loss in uncollected property taxes.

The chart below shows the distribution of the net property tax levy among the County's funds over the past five years. The largest portion, 34.3%, of the net levy will be allocated to the Public Safety Fund. The Bond & Interest Fund will receive 32.7% to pay debt service in FY2023.

The Health Fund will receive 18.9% of the property tax levy, increased from 17.7% the prior year. The Health Fund allocation of the property tax levy in FY2023 is $320.5 million, compared to $137.7 million in FY2022. The County decreased its property tax allocation to Cook County Health over the past several years from $121.2 million in FY2016. The County began increasing the tax allocation in FY2020 to help offset some of the health system's uncompensated care costs. The levy allocated to Cook County Health increased by $15 million in FY2022 and will

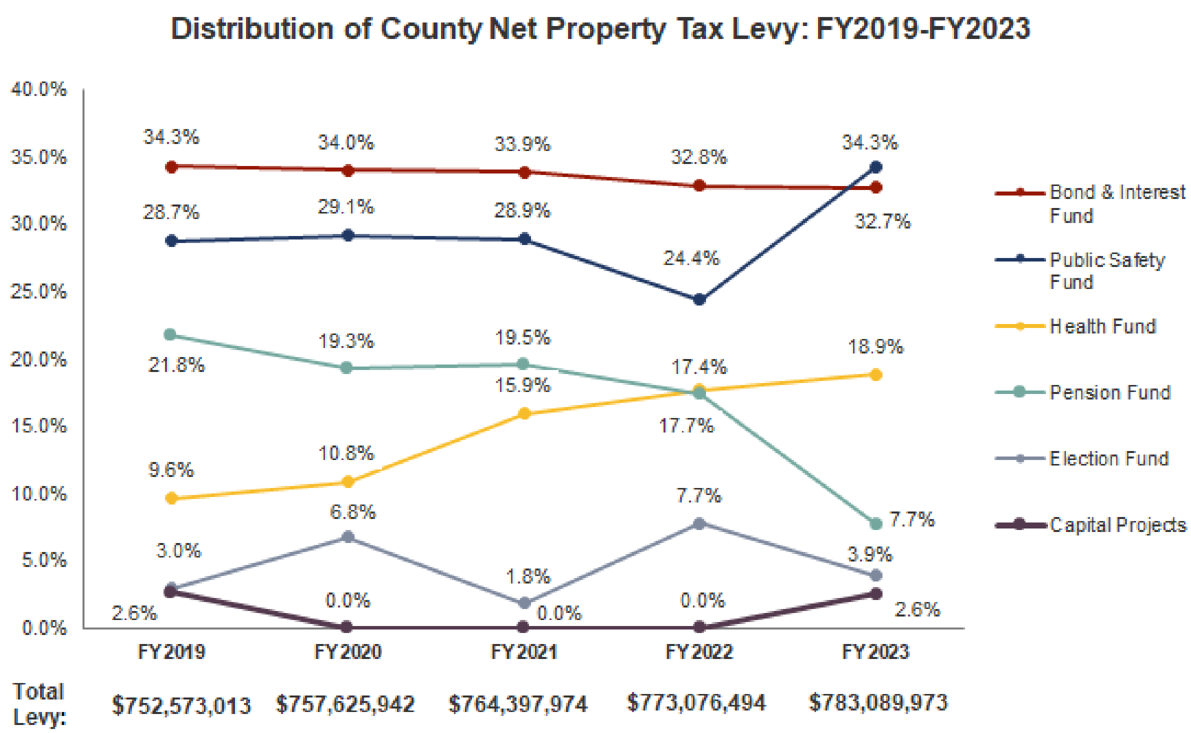
[60] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 42.
[61] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 42.

increase by another $10 million in FY2023 in order to help balance the Health Fund budget. The Pension Fund will receive 7.7% to be put toward the County's FY2023 pension payment.

The Election Fund will receive 3.9% of the property tax levy in FY2023, a decrease from 7.7% in FY2022. The allocation of the levy to this fund fluctuates with election years.

The County allocated property tax revenue to the Capital Fund for the first time in FY2017. Capital funding did not receive property tax revenue in FY2018, but did receive 2.6% of the property tax levy revenue in FY2019. The Fund will also receive 2.6% of the property tax levy revenue in FY2023 for investments, including County facilities, infrastructure and County departments.[62]

The Corporate Fund also will not receive any property tax funding in FY2023. The Corporate Fund has not received any portion of the property tax levy since FY2017.



Source: Cook County FY2023 Budget Recommendation, Volume 1, p. 42.

PERSONNEL TRENDS

The following section presents the number of budgeted personnel positions both by fund and by control officer, as well as spending on Personal Services. Personnel positions are measured by full-time equivalent (FTE) positions. FTE positions represent the total hours worked divided by the average annual hours worked in a full-time position. FTE is used as a measure of personnel positions, rather than the number of employees, to compare workloads regardless of the number of hours each employee works.

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[62] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 156.

FTE positions account for full-time, part-time, seasonal and hourly wage earners. Personal Services are salaries, benefits and other costs associated with personnel positions.

Personnel Positions by Fund

Cook County proposes a total of 23,153.5 full-time equivalent (FTE) positions in FY2023 in the operating funds, which include the Corporate Fund and Public Safety Fund (both of which make up the General Fund), Special Purpose Funds and Health Fund (and excluding grant funds). This is a net increase of 494.6 positions from the adopted FY2022 budget, or an increase of 2.2%. Budgeted personnel positions over the five-year period from FY2019 through FY2023 are shown in the chart below.

When including grant funds, the total County workforce is 23,730.5 FTEs, a net increase of 192.1 FTEs, or 0.8%, from the approved FY2022 budget.[63] The number of grant-funded positions will decrease from 879.5 FTEs in FY2022 to 577.0 FTEs in FY2023. A majority of grant funds support Public Safety programs and Economic Development Initiatives.[64]

The largest numerical increase in personnel between FY2022 and FY2023 will take place within the Public Safety Fund, which will increase by 263.7 FTEs from the FY2022 adopted budget. This increase is driven in part by additional staffing requirements to implement the Pretrial Fairness Act beginning January 1, 2023.[65]

FTE positions in the Corporate Fund will increase over FY2022 by 16.5%, or 263.7 FTEs. The increase is primarily due to a shift in FTE positions that had been funded through ARPA in FY2022 being transferred back to departmental budgets as the County's revenue sources have recovered, and an increase in personnel in the Office of Contract Compliance to handle anticipated ARPA contracts.[66]

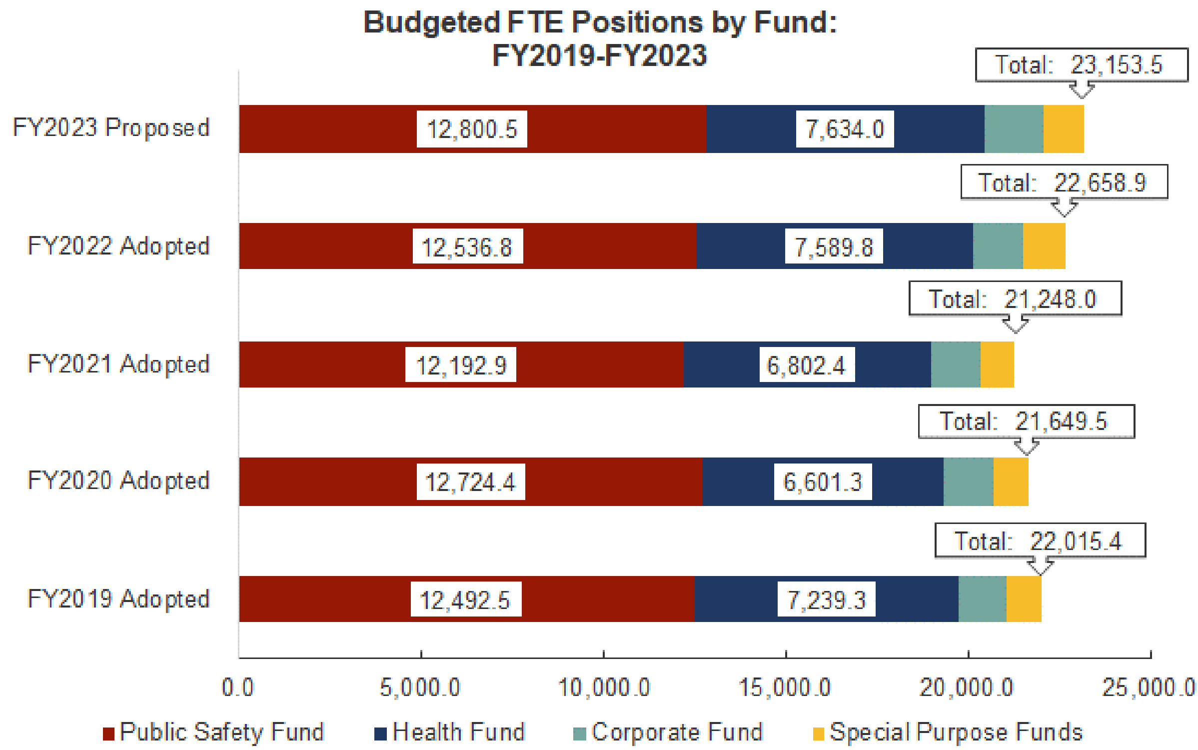
The Special Purpose Funds, which include the Election Fund, ARPA Fund, Transportation Fund and several other funds that support specific agencies, will decrease by 47.8 FTEs or 3.8% from the FY2022 adopted budget.

Personnel positions in the Health Fund will increase slightly, by 44.2 FTEs, or 0.6%, over the FY2022 adopted budget.

Over the five-year period between FY2019 and FY2023, total FTEs, excluding grant funds, will increase by 1,138.1 FTEs or 5.2%. FTE positions within the General Fund, which includes the Corporate Fund and the Public Safety Fund will increase by a total of 613.7 FTEs or 4.4% over the five-year period. The Health Fund will see the largest increase from FY2019 with 394.7

[63] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 146.
[64] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 65.
[65] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 78
[66] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 78.

FTEs, and Special Purpose Funds will increase by 129.79 FTEs, or 13.5%, in FY2023, up from 962.0 FTEs in FY2019.



Note: Figures do not include grant-funded positions.
Source: Cook County FY2023 Budget Recommendations, Volume 1, pp. 141-146.

PERSONNEL POSITIONS BY CONTROL OFFICER

This section analyzes the number of FTEs by control officer across all operating funds (excluding grant funds). Budgeted FTE positions by control officer over the five-year period from FY2019 to FY2023 are shown in the following chart. The most significant increase in FTEs in FY2023 over the prior year will occur in Cook County Health, which will increase by 142.2 FTEs or 1.9%. Cook County Health FTEs by department are discussed in further detail in the next section.

The second largest increase in personnel between FY2022 and FY2023 will be within the Offices Under the President. The number of FTEs within the Offices Under the President is proposed at 2,805.6, an increase of 136.9 FTEs or 5.1%. The increase is primarily due to position increases in the offices of the Chief Financial Officer, Chief Information Officer and the Public Defender.[67]

The Sheriff's Office is budgeted for a total of 5,787.7 FTEs, representing the largest office after Cook County Health. The Sheriff's proposed FTEs represent an increase of 6.7, or 0.1%, over the prior year budget.

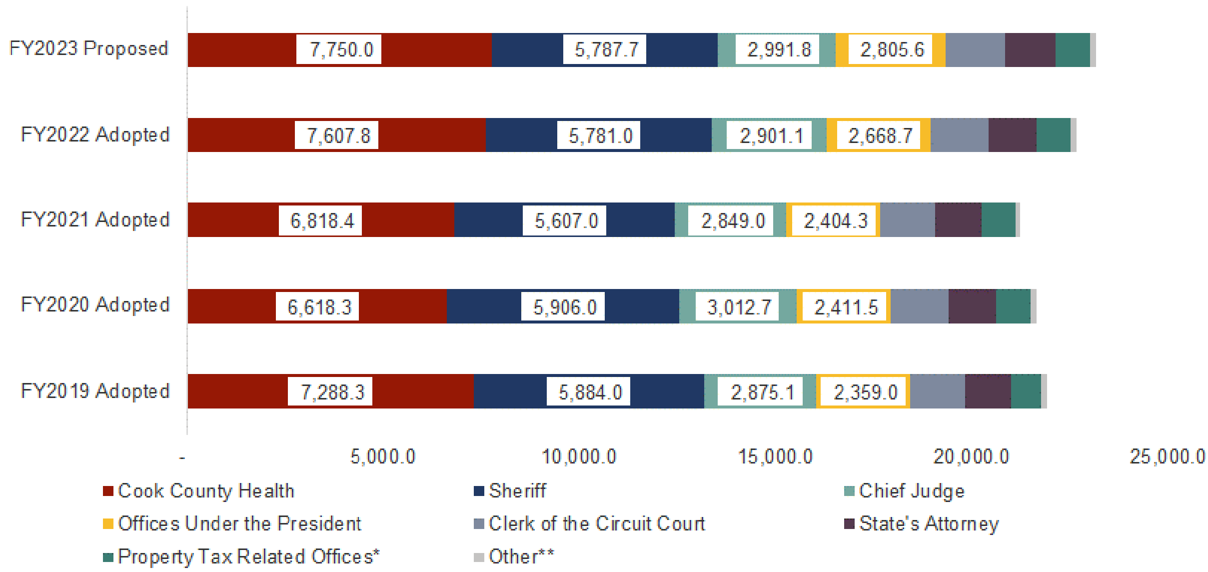
[67] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 147.

The Clerk of the Circuit Court is proposed to gain 43.0 FTE positions in FY2023 from the prior year.

The Property Tax Related Offices, including the County Clerk (which assumed the duties of the Recorder of Deeds Office in December 2020), the Board of Review, Treasurer and Assessor, will have a total of 868.5 FTEs in FY2023. This is a 2.5% increase from 847.5 FTEs in FY2022.[68]

Over the five-year period between FY2019 and FY2023, the number of budgeted FTEs across all offices has increased by 1,253.1 positions, or 5.7%, from 21,900.4 to 23,153.5 FTEs. While personnel in most offices has increased over this time period, the Office of the Sheriff will see a decrease of 96.3 FTEs or 1.6%. The largest personnel increases over the five-year period will be within the Offices Under the President and Cook County Health. The Offices Under the President are set to gain 446.6 FTEs, or an increase of 18.9%. Cook County Health will increase by 461.7 FTEs, or 6.3%.

FTE Positions by Control Officer for General Fund, Health Fund and Special Purpose Funds: FY2019-FY2023



*Property Tax Related Offices include Board of Review, County Clerk, Recorder of Deeds, Treasurer and Assessor. Recorder of Deeds consolidated into the County Clerk's Office in 2020.
**Other includes the Public Administrator, Office of the Independent Inspector General, Board of Commissioners, Board of Election Commissioners and the Land Bank.
Source: Cook County FY2022 Annual Appropriations Ordinance, Volume 1, pp. 141-142; Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 147-

Cook County Health Personnel

Personnel positions within Cook County Health are proposed to be 7,634.0 in the Health Fund in FY2023. This is an increase of 44.2 FTEs, or 0.6%, from the prior year adopted budget. The largest increase in the FY2023 budget proposal takes place within Health System Administration with an increase of 62.0 FTE positions. The added positions will help to establish the Change Institute (aimed at reducing life expectancy gaps) and the Patient Experience Program (to develop systems and education for patients); provide appropriate administrative infrastructure levels; transition contracted IT positions to full-time CCH positions; and offset a decrease of 68 positions at Stroger Hospital.[69] The Department of Public Health will add 44 new

[68] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 143-144.
[69] Cook County Health, FY2023 Proposed Budget Presentation, August 2022, p. 8.

positions, all of which are Contact Tracer positions that will fill systemwide position vacancies.[70] These increases are offset, however, by a reductions in other departments. The majority of the decrease takes place at Stroger Hospital, which will budget 68 FTE positions less than FY2022.

Cook County Health Personnel positions by department between FY2019 and FY2023 are shown in the table below. Over the five-year period, FTE positions within the Health Fund will increase by 394.8, or 5.5%. Much of this increase is for positions at Stroger Hospital.

Cook County Health FTEs: FY2019-FY2023

	FY2019 Adopted	FY2020 Adopted	FY2021 Adopted	FY2022 Adopted	FY2023 Proposed	# Change FY2022-FY2023	% Change FY2022-FY2023	# Change FY2019-FY2023	% Change FY2019-FY2023
Health System Administration	366.0	328.0	317.0	375.0	437.0	62.0	16.5%	71.0	19.4%
Cermak Health Services	631.0	575.0	667.0	657.0	654.0	(3.0)	-0.5%	23.0	3.6%
JTDC Health Services	65.0	62.0	59.8	60.8	64.0	3.2	5.3%	(1.0)	-1.5%
Provident Hospital	377.8	401.0	388.2	394.0	398.0	4.0	1.0%	20.2	5.3%
Ambulatory and Community Health Network	848.8	401.0	345.1	880.0	879.0	(1.0)	-0.1%	30.2	3.6%
CORE Center	75.0	71.0	71.0	72.0	72.0	0.0	0.0%	(3.0)	-4.0%
Department of Public Health	102.0	118.0	128.0	129.0	173.0	44.0	34.1%	71.0	69.6%
Health Plan Services	495.0	407.0	344.0	441.0	444.0	3.0	0.7%	(51.0)	-10.3%
Stroger Hospital	4,240.8	4,189.3	4,482.4	4,581.0	4,513.0	(68.0)	-1.5%	272.2	6.4%
Oak Forest Health Center	37.8	49.0	0.0	0.0	0.0	0.0		(37.8)	-100.0%
Total	**7,239.2**	**6,601.3**	**6,802.5**	**7,589.8**	**7,634.0**	**44.2**	**0.6%**	**394.8**	**5.5%**

Source: Cook County FY2023 Executive Budget Recommendation,Volume 2, p. F-5.

PERSONAL SERVICES APPROPRIATIONS

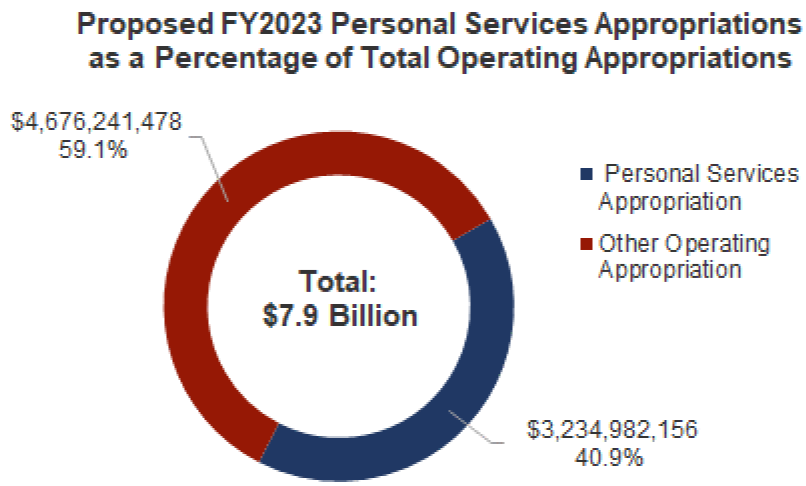
The following pie chart shows budgeted personal services appropriations as a percentage of the total proposed County operating budget for FY2023, excluding grant funds. Personal services appropriations include: expenditures for salaries and wages; employee benefits including hospitalization, dental, vision and life insurance, the employer match of employees' Medicare contributions and pension contributions made by the County on behalf of employees; and other employee expenses, such as professional development and travel expenses.[71]

Personal services appropriations proposed in FY2023 are $3.2 billion. This is an increase of $25.7 million, or 0.8%, above the approved FY2022 budget due to the proposed increase in personnel of 494.6 FTEs. The FY2023 personal services appropriations include the statutorily required pension contribution of $200.4 million, plus an additional $311.7 million transfer from the General fund to help address unfunded pension liabilities, including a$20 million deposit into the Pension Stabilization Fund.[72]

As shown in the chart below, the proposed personal services appropriation in FY2023 accounts

[70] Cook County Health, FY2023 Proposed Budget Presentation, August 2022, p. 12.
[71] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 329.
[72] Cook County FY2022 Executive Budget Recommendation, Volume 1, p. 88.

for 40.9% of total operating appropriations. This ratio has decreased from 57.5% in FY2019.

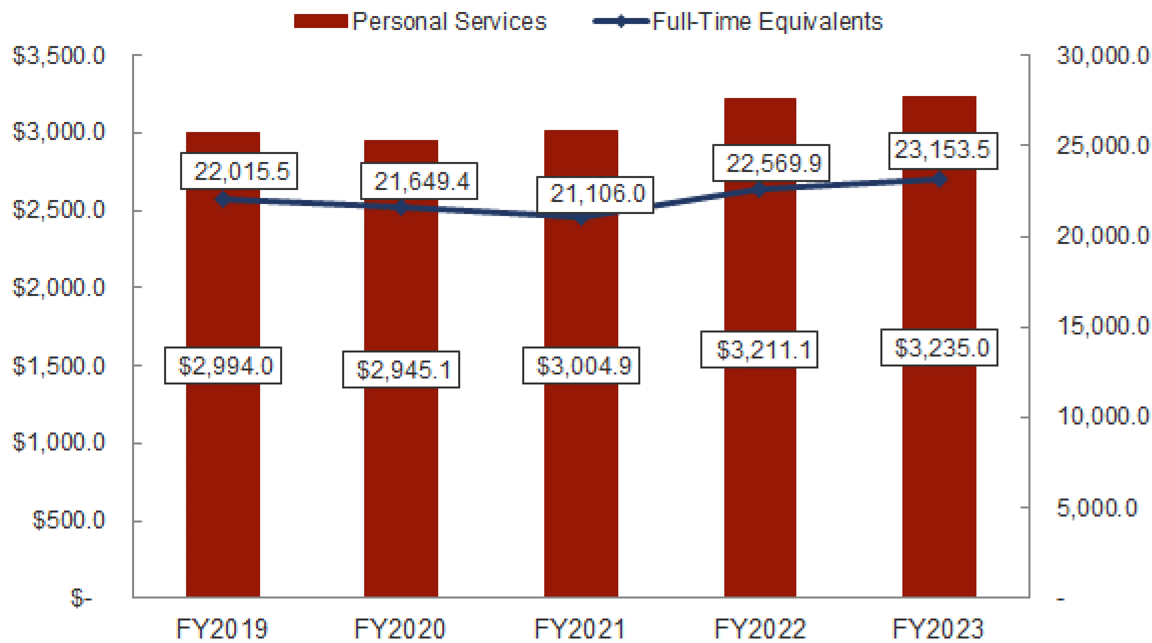


Note: Figures do not include grant funds.
Source: Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 139.

The next chart shows total full-time equivalent positions and personal services appropriations for the five years between FY2019 and FY2023 for all operating funds, excluding grants. The proposed number of FTEs will increase from 22,015.5 FTEs in FY2019 to 23,153.5 FTEs in FY2023, which is an increase of 5.2%, or 1,138.0 FTEs. Over the same period, personal services appropriations will increase by 8.0%, or $241.0 million, from $3.0 billion in FY2019 to

$3.2 billion in FY2023. Between FY2019 and FY2023, personal services appropriations have continued to steadily increase while the FTE count has fluctuated.

FTE Positions and Personal Service Appropriations for all Funds: FY2019-FY2023 (in $ millions)



Note: Does not include grant-funded positions or grant-funded personal services appropriations.
Source: Cook County FY2019 Appropriations Ordinance, pp. 99-104; FY2020, pp. 105-110 and p. 116; FY2021, pp. 117-122 and p. 128; FY2022, pp. 134 and 142; Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 139 and 146.

FUND BALANCE

This section describes Cook County government's fund balance. Fund balance is a term used to describe the net assets of a governmental fund and serves as a measure of budgetary reserves.[73]

The Governmental Accounting Standards Board (GASB) Statement No. 54 has established five components of fund balance:[74]

1. ***Nonspendable fund balance*** – resources that inherently cannot be spent, such as pre-paid rent or the long-term portion of loans receivable. In addition, this category includes resources that cannot be spent because of legal or contractual provisions, such as the principal of an endowment.
2. ***Restricted fund balance*** – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by the constitution, creditors or laws and regulations of non-local governments.

[73] Government Finance Officers Association (GFOA), Fund Balance Guidelines for the General Fund at http://www.gfoa.org/fund-balance-guidelines-general-fund.
[74] Governmental Accounting Standards Board. Statement No. 54 of the Governmental Accounting Standards Board Fund Balance Reporting and Governmental Fund Type Definitions at https://gasb.org/page/ShowDocument?path=GASBS_54.pdf&acceptedDisclaimer=true&title=GASBS+54&Submit=.

3. ***Committed fund balance*** – net fund resources with self-imposed limitations set at the highest level of decision-making which remain binding unless removed by the same action used to create the limitation.
4. ***Assigned fund balance*** – the portion of fund balance reflecting the government's intended use of resources, with the intent established by government committees or officials in addition to the governing board. Appropriated fund balance, or the portion of existing fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance.
5. ***Unassigned fund balance*** – in the General Fund, the remaining surplus of net resources after funds have been identified in the four categories above.

The first two components of fund balance involve legal or contractual limitations on the use of those funds. The other three components involve constraints that can be lifted by the government—they are guidelines rather than legal limitations.[75] **Unrestricted fund balance** that could potentially be used for any purposes, therefore, includes all funds identified as:

- Committed fund balance;
- Assigned fund balance; and
- Unassigned fund balance.

GFOA BEST PRACTICES ON FUND BALANCE

The Government Finance Officers Association (GFOA) provides guidelines on the appropriate level of fund balance that governments should maintain. GFOA recommends that general purpose governments maintain an unrestricted budgetary fund balance in their general fund of at least two months of regular general fund operating revenues or regular general fund operating expenditures. Two months of operating expenditures or revenues is approximately 16.7% of the total amount. GFOA also states that in practice, a level of unrestricted fund balance lower than the recommended minimum may be appropriate for states and America's largest governments, such as cities and counties, because they can often better predict contingencies and they typically have diverse revenue streams. Further, the statement directs governments to consider the financial resources available in other funds when determining an adequate unrestricted General Fund fund balance level.[76]

GFOA also recommends that governments establish a formal unrestricted fund balance policy that considers the government's specific circumstances. GFOA specifies several factors that should be considered when establishing a fund balance policy: revenue predictability and expenditure volatility; perceived exposure to one-time disasters or immediate expenses; the potential drain on general fund resources from other funds and the availability of resources in other funds; the potential impact on the government's bond rating and borrowing costs; and funds that are already committed or assigned for specific purposes.[77]

[75] GFOA. Fund Balance Guidelines for the General Fund at http://www.gfoa.org/fund-balance-guidelines-general-fund.
[76] GFOA, Fund Balance Guidelines for the General Fund at http://www.gfoa.org/fund-balance-guidelines-general-fund,
[77] GFOA, Fund Balance Guidelines for the General Fund at http://www.gfoa.org/fund-balance-guidelines-general-fund.

COOK COUNTY FINANCIAL RESERVE POLICY

Cook County has a financial reserve policy to maintain "an unassigned fund balance in the General Fund of no less than two months (16.67%) or "floor," and a "ceiling" of three months' worth (25.0%) of the General Fund's total expenditures, plus total other financing uses (e.g. transfers out) from the most recent audit."[78] If the unassigned fund balance drops below the two month "floor" of audited General Fund expenditures, the policy directs the County to develop an action plan to replenish the fund balance in coordination with the annual adopted budget. If the unassigned fund balance exceeds the three-month "ceiling," the County can use these funds to pay for nonrecurring expenses, an outstanding liability (i.e., pensions or bonded debt) or transfer it to a committed or assigned fund balance in the following fiscal year.[79] The County's policy indicates that it will also maintain an assigned fund balance for purposes of a Pension Stabilization Fund. This will be used to offset unanticipated increases in the pension contributions to the Cook County Pension Fund.[80]

At the end of FY2021, the County had an unassigned fund balance of $703.6 million. This was above the targeted reserve amount of two months. The variance between the fund reserve ceiling of $441.9 million and the unassigned fund balance of $703.6 million was $261.8 million. Of that amount, $30 million has been proposed to be appropriated in the FY2023 budget to the County's new Infrastructure and Equipment Fund. The remaining $231.8 million will be assigned to the following purposes:[81]

- $50.0 million for the Pension Stabilization Fund;
- $25.7 million to the Self Insurance Fund Reserve;
- $50.0 million to the Cook County Health Reserve;
- $80.4 million to the Infrastructure and Equipment Fund; and
- $25.7 million to the Equity Fund.

In FY2022 at year end, the variance between the fund reserve ceiling and the unassigned fund balance is projected to be $422.7 million.[82]

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[78] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 295.
[79] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 296.
[80] Cook County FY2022 Executive Budget Recommendation, Volume 1, pp. 6 and 292.
[81] Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 6-7.
[82] Cook County FY2023 Executive Budget Recommendation, Volume 1, pp. 6-7.

Cook County Unrestricted Fund Balance

This section examines the County's General Fund unrestricted fund balance as a percent of general operating expenditures based on audited data from the County's most recent Annual Comprehensive Financial Reports. This ratio is a measure of whether a government is maintaining adequate levels of fund balance to mitigate current and future risks and ensure stable tax rates.[83] Cook County's General Fund consists of three accounts: Corporate, Public Safety and Self-Insurance.[84]

Cook County's unrestricted fund balance ratio fell from 14.1% in FY2012 to a low of 4.4% in FY2014 before beginning to steadily increase. The decrease in FY2014 was due to several factors: the General Fund absorbed a negative balance of $15.3 in the Juvenile Justice Fund when the fund was reclassified; there was a revenue shortfall of $36.0 million in the Office of the Sheriff due to overtime expenses and a $15.0 million shortfall in the Office of the Circuit Court Clerk; and the County used $12.0 million to offset a shortage of payments from the State.[85]

Since FY2014, the fund balance has steadily increased, primarily because revenue increases have outpaced spending increases.

The unrestricted fund balance increased to $99.3 million in FY2015, due largely to revenue increases from non-property taxes (including the Sales Tax, Use Tax, Gasoline Tax, Cigarette Tax, Amusement Tax, Non-Retailer Transaction Use Tax, and Parking Lot and Garage Operation Tax) and a reallocation of Cigarette Taxes to the General Fund from the Health Enterprise Fund.[86]

The fund balance rose in FY2016 to a ratio of 11.4% due to increased revenues, primarily from an increase in the sales tax rate implemented in FY2016, as well as growth in the Use Tax and the Non-Retailer Transaction Use Tax due to improved vehicles sales.[87]

It increased to 15.9% of General Fund expenditures in FY2017 primarily due to increased sales tax revenue, compliance initiatives resulting in increased revenue from a number of other non-property taxes and more timely payments from the State of Illinois.[88]

The fund balance increased again in FY2018 to $352.8 million, a ratio of 22.2% of operating expenditures. This increase in the fund balance ratio was primarily due to a reduction in expenditures of $83.4 million from the prior year through reduced personnel costs from the elimination of positions and reductions in overtime.[89]

The fund balance ratio increased in FY2019 to 28.2% due to revenues ending the year above expenditures, which resulted in a net change in fund balance of $103.6 million.[90]

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[83] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted September 2015).
[84] Cook County FY2019 Annual Comprehensive Financial Report, p. 49.
[85] Communication with Cook County Bureau of Finance, October 30, 2015.
[86] Cook County FY2015 Annual Comprehensive Financial Report, p. 20.
[87] Cook County FY2016 Annual Comprehensive Financial Report, p. 19.
[88] Cook County FY2017 Annual Comprehensive Financial Report, pp. 19-20.
[89] Cook County FY2018 Annual Comprehensive Financial Report, p. 20.
[90] Cook County FY2019 Annual Comprehensive Financial Report, p. 20.

The fund balance increased to $593.1 million or 42.1% of general operating expenditures in FY2020 in large part because of an increase in operating resources from the prior fiscal year. This included: increases in income, cigarette, other tobacco products, cannabis, sports wagering and other non-property taxes; an increase in the allocation of property tax funds levied in 2019 to other funds; increased revenues from the State of Illinois due to the timing of grant funded appropriations; and higher than expected CVS Caremark Rx rebates as well as legal settlements.[91]

The fund balance rose substantially to $869.1 million in FY2021. This represented 53.6% of general operating expenditures. The increase was due primarily to two sources: 1) a $255.5 million increase in non-property taxes such as sales taxes, personal property replacement taxes, the county use tax and the cannabis tax; and 2) a $76.9 million increase in fee revenues in the County Clerk and Treasurer's offices as well as a reclassification of revenue in the Sheriff's Office to meet requirements of GASB 84.[92]

The FY2021 unrestricted fund balance includes $703.6 million in "unassigned" fund balance and $165.4 million in "assigned" fund balance.[93] As described in the County's fund balance policy, the "assigned" portion of the fund balance is reserved for pension stabilization. The "unassigned" portion represents 43.4% of operating expenditures. This amount of unassigned reserves easily meets the County's own policy of maintaining between two months (16.7%) and three months (25.0%) of General Fund fund balance.

Cook County's FY2020 unrestricted fund balance ratio of 53.6% of General Fund expenditures far exceeds the GFOA's recommendation of maintaining an unrestricted reserve ratio of at least 16.7%.

Unrestricted General Fund
Fund Balance Ratio: FY2013-FY2021

	Unrestricted General Fund Balance	General Operating Expenditures	Ratio
FY2013	$ 129,926,749	$ 1,335,220,403	9.7%
FY2014	$ 62,503,592	$ 1,430,325,176	4.4%
FY2015	$ 99,323,337	$ 1,472,330,244	6.7%
FY2016	$ 183,433,217	$ 1,615,046,369	11.4%
FY2017	$ 265,415,671	$ 1,671,283,599	15.9%
FY2018	$ 352,817,410	$ 1,587,866,746	22.2%
FY2019	$ 456,422,288	$ 1,616,200,408	28.2%
FY2020	$ 593,129,813	$ 1,410,302,725	42.1%
FY2021	$ 869,065,151	$ 1,621,983,620	53.6%

Sources: Cook County Annual Comprehensive Financial Reports: Balance Sheet Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balance: Governmental Funds.

[91] Cook County FY2020 Annual Comprehensive Financial Report, pp. 20-21.
[92] Cook County FY2021 Annual Comprehensive Financial Report, p. 20.
[93] Cook County FY2021 Annual Comprehensive Financial Report, p. 31.

PENSION FUNDS

This section examines the budgetary impact of Cook County's contributions to its pension fund. The Civic Federation additionally analyzes indicators of the fiscal health of its pension funds and presents multi-year trend data. Additional descriptive information about the County's pension benefits and history can be found in past budget analyses and will soon be available on a special area of the Civic Federation's website dedicated to pension data and information.[94]

In FY2021 there were 18,126 active County employees participating in the pension fund and 20,050 beneficiaries for a ratio of active employees to beneficiaries of 0.9. Prior to FY2020, the County fund had more employees than retirees. A low ratio of active employees to annuitants means there are fewer employees paying into the fund and more retirees taking annuity payments out of the fund and can be a signal of distress for a mature and underfunded pension like the County fund. Members of the Cook County pension fund do not participate in the Social Security program, so they are not eligible for Social Security benefits related to their County employment when they retire.

PENSIONS IN THE FY2023 COOK COUNTY BUDGET

At a 67.2% funded ratio, Cook County's pension fund is not as underfunded as other funds in Illinois, but it is still not in good financial condition. The County had made several attempts to get legislation passed in the General Assembly to change benefits and funding provisions in the wake of reform legislation that passed for the State of Illinois, Chicago Park District and City of Chicago in 2013 and 2014. However, the County's efforts to win approval for these reforms have not succeeded. Along with most other public pension plans in the State of Illinois, benefits for new County employees were reduced in 2011.

After the Illinois Supreme Court struck down changes to current employee and retiree benefits for Chicago and Illinois, the County tried another strategy and increased its sales tax by one percentage point in 2016, in large part to fund increased contributions to the pension fund. Statutorily, the County is still tied to the same multiplier-based pension contribution system as other Chicago area local governments. The County is required to contribute 1.54 times what employees contributed two years prior. Since the multiple did not adjust to meet the needs of the fund, employer underfunding was a major contributor to the County pension fund falling from 91% funded as recently as 2000.

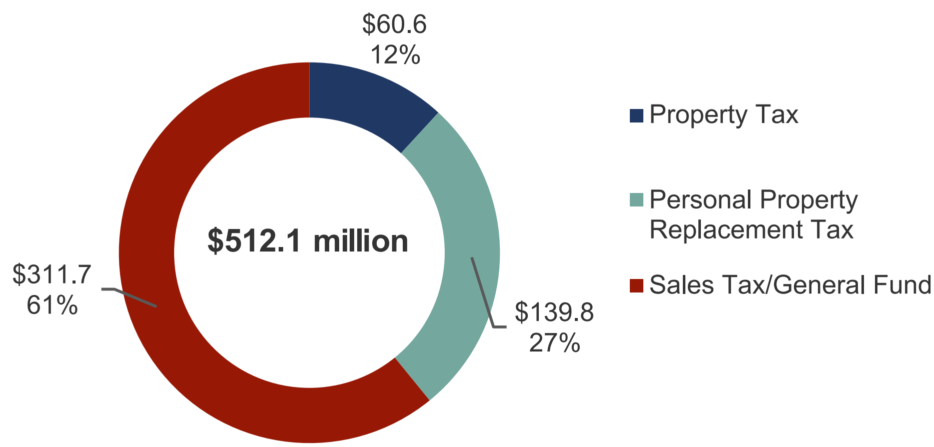
Starting in 2016, the County has made annual supplementary contributions to the pension fund from the sales tax increase in order to keep to a payment schedule that is intended to increase by no more than 2% each year and result in a 100% funded ratio in 30 years. Currently, the County is providing the funding to the County Pension Fund via an annual intergovernmental agreement. No legislation to allow the County to make an enhanced payment has yet been enacted in State law. The supplemental contribution in FY2023 is budgeted at $291.7 million, with an additional $20 million going into a pension reserve account for future pension payment increases. The statutory payment for FY2023 is $200.4 million. Since FY2016, the County has made a total of nearly $2.3 billion in supplemental pension payments.[95] The County projects

[94] See for example Civic Federation, "Cook County FY2021 Executive Budget Recommendation: Analysis and Recommendations," November 19, 2020, pp. 80-93. Available at https://www.civicfed.org/CookCountyFY2021.
[95] Cook County FY2023 Executive Budget Recommendation, Volume 1, p. 80.

that with the supplemental payments, the fund will be 100% funded by 2044, whereas it would have become insolvent by 2055 if only the statutory payments were made.[96]

The County uses several revenue sources to make its pension contributions: property taxes, personal property replacement tax (PPRT) and sales tax revenue. The property tax and PPRT fund the statutory payment, while the sales tax transfer from the General Fund provides funding for the supplemental payment. The following chart shows the breakdown of those sources. The sales tax is the single largest source of revenue for the pensions at $311.7 million or 61% of total pension funding.

FY2023 Cook County Pension Fund Sources of Revenue
(in $ millions)

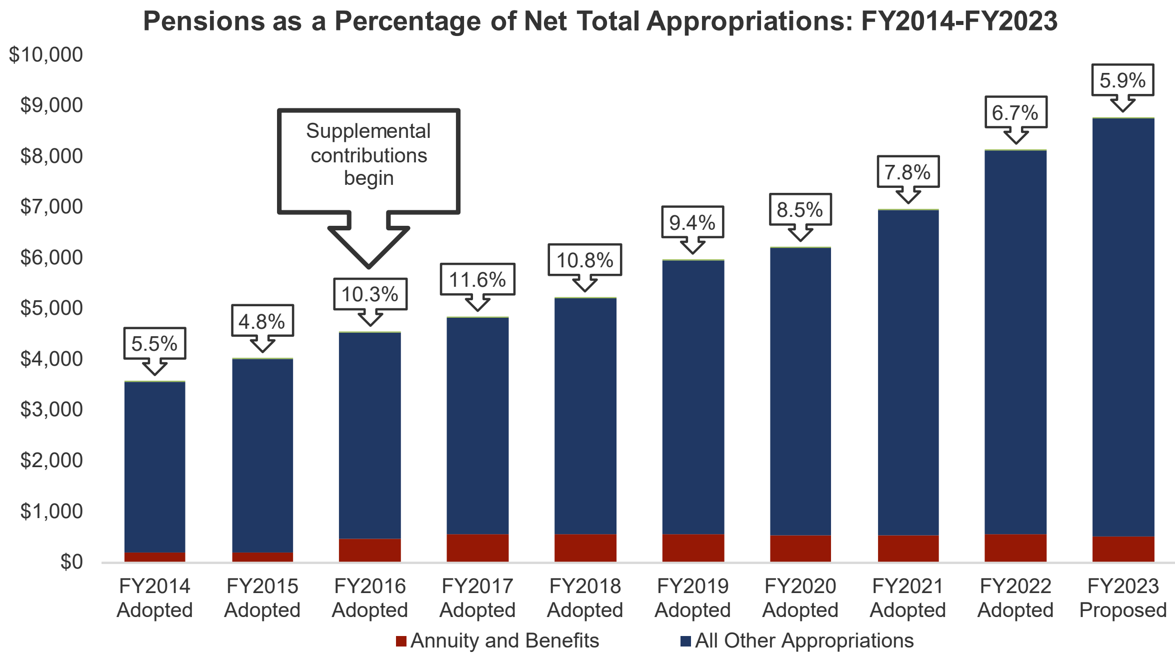


Source: FY2023 Cook County Budget Recommendations, Volume 1, p. 5.

As shown in the following chart, the year before the County started making extra pension payments, pensions made up $192.8 million or 4.8% of the County's total spending in FY2015. However, the following year that increased to $465.5 million or 10.3%. While the amount of the annual pension payment has grown since then, the total County budget has grown faster,

[96] Cook County, "Executive Budget Recommendation: Fiscal Year 2023 Presentation," October 6, 2022, p. 27.

meaning that the percentage of the budget going to pensions has decreased over the following years to 5.9% in FY2023.

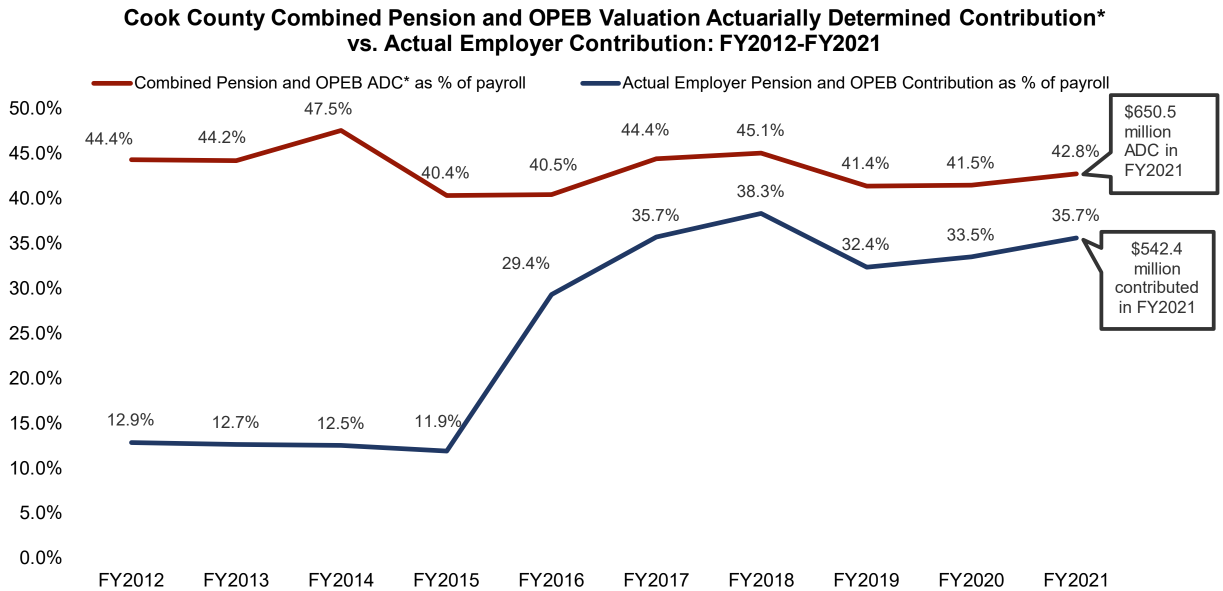


Source: Cook County Budgets, FY2014-FY2023

In order to analyze how far short of sufficient past years' contributions have been, it is useful to compare the County's actual contributions to an objective measure of how much the County would need to contribute in order to pay off its unfunded liability over a set period of time. That measure, the Actuarially Determined Contribution (ADC), is a reporting requirement of the Governmental Accounting Standards Board and is reported in each pension fund's annual actuarial reports.

The following chart compares the County's actual contribution to its four pension funds as a percentage of payroll to the ADC as a percentage of payroll. The spread between the two amounts grew from a shortfall in FY2012 of 31.5 percentage points, or $465.1 million, to a gap of 35.0 percentage points in FY2014, before falling to a gap of 11.1 percentage points in FY2016, due to the County's first supplemental payment. The shortfall decreased over the next several years to 7.1% in FY2021, or $108.1 million. In other words, to fund the pension plans at a level that would both cover normal cost and amortize the unfunded liability over 30 years, the

County would have needed to contribute an additional 7.1% of payroll, or $108.1 million, in FY2021.



Note: The combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.0% discount rate. It does not use a lower discount rate for OPEB liabilities as required for GASB Statement 75 financial reporting.
* Annual Required Contribution prior to FY2014.
Source: Cook County Financial Statements and Combined Actuarial Valuations, FY2012-2021.

Funding Status of Cook County's Pension Fund

In addition to evaluating whether an employer is contributing enough to the pension fund through a comparison to the ARC, it is important to understand how well-funded a pension plan is and whether funding is improving or declining over time. Pension fund status indicators show how well a pension fund is meeting its goal of accruing sufficient assets to cover its liabilities. Ideally, a pension fund should hold exactly enough assets to cover all of its actuarial accrued liabilities.

The Civic Federation analyzes three measures over time to evaluate funding status:

- Funded ratio;
- Unfunded actuarial accrued liabilities; and
- Investment rate of return.

Funded Ratio: The most basic indicator of pension fund status is its ratio of assets to liabilities, or "funded ratio." In other words, this indicator shows how many pennies of assets a fund has per dollar of liabilities. For example, if a plan had $100 million in liabilities and $90 million in assets, it would have a 90% funded ratio and about 90 cents in assets per dollar of obligations to its employees and retirees.

When a pension fund has enough assets to cover all its accrued liabilities, it is considered 100% funded. This does not mean that further contributions are no longer required. Instead it means that the plan is funded at the appropriate level at a certain date. A funding level under 100% means that a fund does not have sufficient assets on the date of valuation to cover its actuarial accrued liability.

Unfunded Liability: Unfunded actuarial accrued liabilities (UAAL) are obligations not covered by assets. Unfunded liability is calculated by subtracting the value of assets from the actuarial accrued liability of a fund. For example, if a plan had $90 million in assets and $100 million in liabilities, its unfunded liability would be $10 million.

One of the purposes of examining the unfunded liability is to measure a fund's ability to bring assets in line with liabilities. Healthy funds are able to reduce their unfunded liabilities over time. On the other hand, substantial and sustained increases in unfunded liabilities are a cause for concern.

Investment Rate of Return: A pension fund invests the contributions of employers and employees in order to generate additional revenue over an extended period of time. Investment income provides the majority of revenue for an employee's pension over the course of a typical career. In addition to the actual annual rate of return, the assumed investment rate of return plays an important role in the calculation of actuarial liabilities. It is used to discount the present value of projected future benefit payments and has been the subject of considerable debate in recent years.[97] The assumed rate of return for the Cook County pension fund is 7.0%, reduced in FY2021 from 7.25%. Other major contributors to a pension fund's financial status in addition to employer contributions and investment returns are benefit enhancements and changes to actuarial assumptions.

Funded Ratio

This section uses two measurements of a pension plan's funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

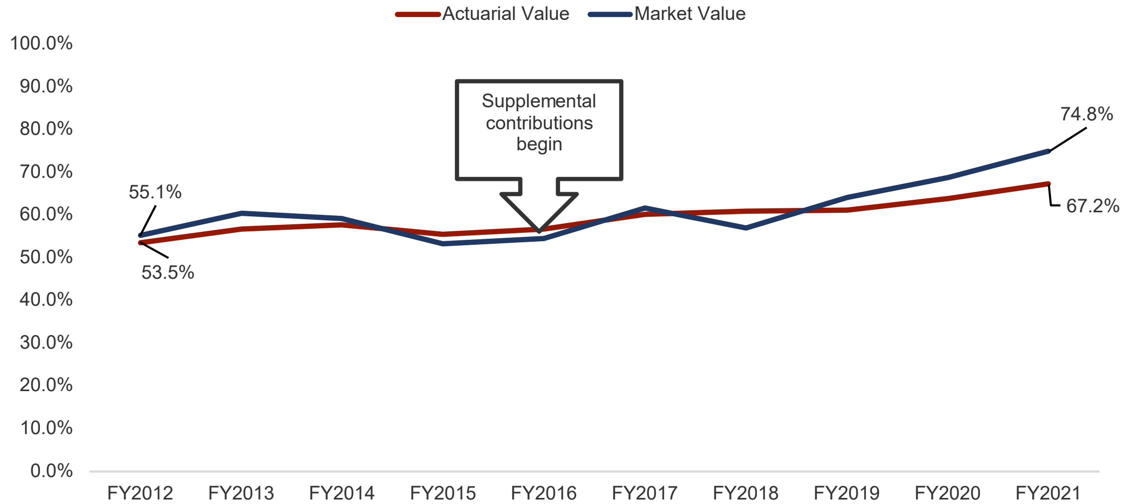
The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses smoothed out over a period of three to five years.[98] The market value of assets measurement presents the ratio of assets to liabilities by recognizing investments only at current market value. Market value funded ratios are more volatile than actuarial funded ratios due to the smoothing effect of actuarial value. However, market value funded ratios represent how much money is actually available at the time of measurement to cover actuarial accrued liabilities.

The following exhibit shows actuarial and market value funded ratios for the fund. Both the actuarial value funded ratio (67.2%) and market value funded ratio (74.8%) increased in FY2021. The larger increase in the market value funded ratio was due to high investment returns in FY2021 that will only be accounted for over five years in the actuarial value. The

[97] For a short description of the debate see Thomas J. Healey, "Commentary: A note on the discount rate," *Pensions and Investments*, October 8, 2019. Available at https://www.pionline.com/industry-voices/commentary-note-discount-rate.
[98] For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012,* October 2, 2014.

funded ratio has generally increased since the County implemented its supplemental pension contributions in FY2016.

Funded Ratios: Actuarial Value of Assets and Market Value of Assets FY2012-FY2021

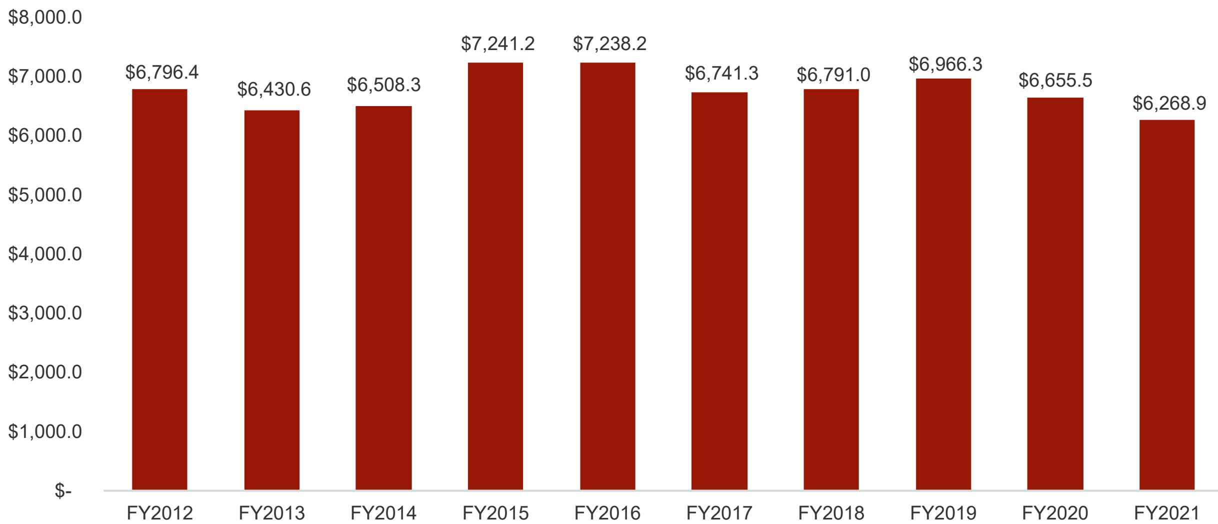


Source: Civic Federation calculations based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2012-FY2021.

Unfunded Actuarial Accrued Liability

The unfunded liabilities of the pension fund fell to $6.3 billion in FY2021 from $6.6 billion in FY2020 despite a decrease in the expected rate of return on investment to 7.0% from 7.25% in FY2021, which added $197.7 million to the unfunded liability, but was offset by higher-than-expected investment returns of $544.6 million. Over the past ten years, the unfunded liabilities of the pension fund have fallen by $527.5 million, or 2.1%. This was a decrease from $6.8 billion in FY2012. Liabilities for the County pension fund include other post-employment benefits (OPEB).[99]

Unfunded Actuarial Accrued Liabilities: FY2012-FY2021 (in $ millions)



Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2012-FY2021.

Investment Return

In FY2021 the County pension fund experienced returns greater than its expected rates of return on investments, at 16.1%.[100] As noted above, the FY2021 investment return assumption

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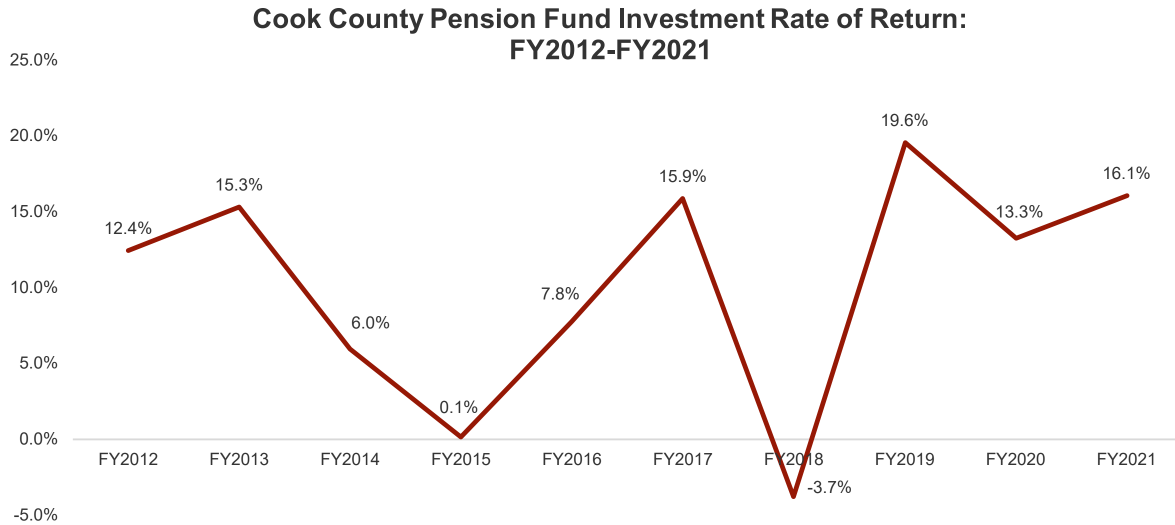
[99] For more about County OPEB benefits, see the next section.

[100] The Civic Federation calculates investment rate of return using the following formula: Current Year Rate of Return = Current Year Gross Investment Income/ (0.5*(Previous Year Market Value of Assets + Current Year Market Value of Assets – Current Year Gross Investment Income)). This is not necessarily the formula used by the pension funds' actuaries and investment managers; thus investment rates of return reported here may differ from those reported in a fund's actuarial statements. However, it is a standard actuarial formula. Gross investment income includes income from securities lending activities, net of borrower rebates. It does not subtract out related investment and securities lending fees, which are treated as expenses.

was 7.0%. Returns in FY2018 of -3.7% were in line with other pension funds in the Chicago area and around the country due to stock market losses that year.[101]



Source: Civic Federation calculation based on County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2012-FY2021.

OTHER POST-EMPLOYMENT BENEFITS

The Cook County Pension Fund administers a Postemployment Group Healthcare Benefit Plan (PGHBP) that provides healthcare and vision benefits for annuitants who elect to participate and their dependents. In FY2021 there were 18,320 active members, 9,097 annuitants receiving benefits and 2,695 covered spouses receiving benefits.[102] The plan is administered through a trust, but is funded on a "pay-as-you-go" basis.[103] This means that neither the Pension Fund nor Cook County are accumulating assets to pay for future OPEB benefits. Instead, benefit expenses are paid for as they come due. In FY2021 $34.2 million of the County's pension contribution was dedicated to OPEB costs. The actuarially determined contribution for FY2021 was $159.6 million.[104]

The PGHBP has set employee annuitant contributions that range from 55%-67% of annual medical costs and spouse annuitant contributions ranging from 48%-62% of annual medical costs, depending on Medicare eligibility and type of coverage. These contribution ranges included subsidy reductions of 1%-10% depending on Medicare enrollment and which plan a beneficiary was enrolled.[105] Annuitants contributed $57.2 million, and Medicare Part D subsidies

[101] See for example, Chief Investment Officer, "CalSTRS 2018 Calendar Year Results Are in Negative Territory," February 6, 2019. Available at https://www.ai-cio.com/news/calstrs-2018-calendar-year-results-negative-territory/
[102] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 117.
[103] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 41.
[104] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 54.
[105] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 41.

and prescription plan rebates added $35.0 million.[106] A total of $126.5 million in benefits were paid out on a pay-as-you-go basis.[107] The remaining costs are paid by the Pension Fund from the same asset pool used to pay pension benefits.

Pension funds and governments are required to report information in their financial statements about OPEB liabilities, assets (if any) and expenses. Cook County reported total OPEB liability in FY2021 of $2.1 billion. The County's reported net OPEB liability increased significantly by $204.1 million or 10.7% from the prior year due to a decrease in the discount rate used to calculate the benefits and growth in costs, partially offset by the increased required retiree contributions.[108]

The OPEB liability as calculated for financial reporting purposes is different from how Cook County values OPEB liabilities under State law. While the County's OPEB liability for financial reporting is calculated using a lower discount rate of 2.12% in FY2020, State law requires pension and OPEB liabilities to be valued at the same discount rate as pension liabilities, or 7.0% in FY2021. The sum of the pension and OPEB liabilities reported according to GASB standards is therefore higher than the total liabilities reported in the statutorily required valuations of the Cook County pension fund required pursuant to Illinois statute.

DEBT AND LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes a review of trends in Cook County's long-term governmental and business-type activities liabilities and a discussion of its tax-supported long-term debt. Long-term liabilities include all of the obligations owed by a government over time. Significant increases in long-term liabilities over time can be a sign of fiscal stress.

The Forest Preserve District of Cook County is a legally separate unit of government. However, the District and the County share the same governing board. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, a government is considered financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or to impose financial benefits or burdens. Therefore, the Forest Preserve District is reported in the governmental activities of Cook County as a blended component unit and its liabilities are included in the long-term liabilities of the County.[109]

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[106] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 22.
[107] County Employees' and Officers' Annuity and Benefit Fund of Cook County, Annual Comprehensive Financial Report for the Fiscal Years Ended December 31, 2021 and 2020, p. 22.
[108] Cook County, Annual Comprehensive Financial Report for the Year Ended November 30, 2021, p. 112.
[109] Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* at: https://gasb.org/page/PageContent?pageId=/standards-guidance/pronouncements/summary--statement-no-14.html&isStaticPage=true and Cook County FY2021 Annual Comprehensive Financial Report, p. 117.

TOTAL LONG-TERM LIABILITIES

Cook County long-term liabilities include:

- ***Estimated pollution-related liabilities***: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;[110]
- ***Self-Insurance claims***: Incurred but not yet reported (IBNR) losses. The County reports liabilities it feels are adequate to provide for potential losses resulting from medical malpractice, worker's compensation and general liability claims;[111]
- ***Property tax objections***: Estimated probable amounts payable related to property tax suits as well as for specific property tax objections and errors for which refunds are expected to be paid;[112]
- ***Compensated absences***: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- ***Net Pension Liabilities***: Since FY2015 Cook County has reported 100% of the net pension liabilities of its pension fund in the Statement of Net Position to comply with GASB Statement No. 68 requirements. Previously, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO. The reporting change for pensions reflects a more holistic and transparent approach to measuring the liabilities of the government, which the previous NPO pension measurement did not.
- ***Net Other Post Employment Benefit (OPEB) Liabilities***:[113] Cook County began reporting Net OPEB liabilities according to GASB Statement No. 75 requirements beginning in the FY2018 audited financial report. Net OPEB liability is now reported as the portion of the present value of projected benefit payments to current active and inactive employees attributed to those employees' past periods of service, less the amount of the OPEB plan's fiduciary net position.[114] Prior to FY2018, under the requirements of GASB Statement No. 45, net OPEB obligations were reported as the cumulative difference between the annual OPEB cost and the employer's contributions to its OPEB Plan. As a result of the reporting change per GASB No. 75, the amount of Cook County's long-term liabilities **reported** has increased substantially. This is because it reflects a more holistic approach to measuring the liabilities of the government, which the previous OPEB measurement did not. The amount owed by the County for retiree health insurance to its pension funds has not significantly changed. It is only being reported more transparently.

The table below presents the County's total long-term liabilities, including long-term debt from bonds and other liabilities in the Governmental Funds for the five-year period from FY2017 to

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110 Governmental Accounting Standards Board, "Summary of Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* (Issued 11/06)," http://www.gasb.org/st/summary/gstsm49.html).

111 Cook County FY2021 Annual Comprehensive Financial Report, p. 101.

112 Cook County FY2021 Annual Comprehensive Financial Report, p. 99.

113 Non-pension benefits provided to employees after employment ends are referred to as Other Post-Employment Benefits (OPEB). OPEB includes health insurance coverage for retirees and their families, dental insurance, life insurance and term care coverage. It does not include termination benefits such as accrued sick leave and vacation.

114 Governmental Accounting Standards Board, Summary Of Statement No. 75: Accounting And Financial Reporting For Postemployment Benefits Other Than Pensions at https://www.gasb.org/cs/ContentServer?cid=1176166370763&d=&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage.

FY2021. Figures are based on the County's audited annual financial reports; FY2021 is the most recent year available. These liabilities are primarily paid for with taxes, such as property taxes and other broad-based taxes.

Between FY2020 and FY2021, total long-term liabilities rose by 7.0%, increasing from $14.3 billion to nearly $15.3 billion. Most of the increase was due to a $1.1 billion increase in net pension liabilities and net other post-employment liabilities. The amount of long-term debt outstanding between those two years fell slightly by $665,000.

In the five-year period between FY2017 and FY2021, total County long-term obligations rose slightly by 0.6%, increasing from $15.2 billion to $15.3 billion. Most of the total five-year increase was due to two sources:

- A $248.9 million rise in net pension obligations; and
- A $306.2 million increase in self insurance claims due to losses from medical malpractice, worker's compensation, general liability and other liability claims.[115]

Total long-term debt in this five-year period fell by 9.2% or $327.6 million.

Long-Term Liabilities for Governmental Activities: FY2017-FY2021
(in $ thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021	$ Change FY2017-FY2021	% Change FY2017-FY2021
Total General Obligation Bonds	$ 3,361,102	$ 3,372,227	$ 3,218,327	$ 3,065,401	$ 2,989,282	$ (371,820)	-11.1%
Net Premium*	$ 184,116	$ 187,341	$ 170,270	$ 152,856	$ 228,320	$ 44,204	24.0%
Subtotal Long-Term Debt	**$ 3,545,218**	**$ 3,559,568**	**$ 3,388,597**	**$ 3,218,257**	**$ 3,217,602**	**$ (327,616)**	**-9.2%**
Note Payable (HUD)	$ 18,814	$ 15,607	$ 8,145	$ 7,521	$ 6,871	$ (11,943)	-63.5%
Line of Credit Payable	$ -	$ -	$ 7,224	$ 175,000	$ -	---	---
Self Insurance Claims	$ 261,956	$ 309,590	$ 445,521	$ 505,803	$ 568,192	$ 306,236	116.9%
Property Tax Objections	$ 80,028	$ 81,177	$ 71,965	$ 77,259	$ 68,767	$ (11,261)	-14.1%
Pollution Remediation Liability	$ 1,891	$ 1,458	$ 642	$ 598	$ 811	$ (1,080)	-57.1%
Asset Retirement Obligation	$ -	$ -	$ -	$ 440	$ 440	$ 440	---
Compensated Absences	$ 58,618	$ 56,574	$ 55,736	$ 68,679	$ 67,919	$ 9,301	15.9%
Net Pension Liabilities	$ 9,620,026	$ 8,565,389	$ 7,792,827	$ 8,889,492	$ 9,868,928	$ 248,902	2.6%
Net OPEB Liabilities**	$ 1,583,327	$ 1,506,488	$ 1,069,026	$ 1,314,581	$ 1,456,592	$ (126,735)	-8.0%
Subtotal Other Long-Term Liabilities	**$ 11,624,660**	**$ 10,536,283**	**$ 9,451,086**	**$ 11,039,373**	**$ 12,038,520**	**$ 413,860**	**3.6%**
Total Long-Term Liabilities	**$ 15,169,878**	**$ 14,095,851**	**$ 12,839,683**	**$ 14,257,630**	**$ 15,256,122**	**$ 86,244**	**0.6%**

* A bond premium is an amount above the debt issuance's par value - underwriters may pay a premium price for debt, with the price paid equal to par plus a premium. See Vogt, J. Capital Budgeting and Finance: A Guide for Local Governments (Washington, D.C.: ICMA, 2004), p. 393.
**Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.
Sources: Cook County FY2017-FY2021 Annual Comprehensive Financial Reports, Long Term Liabilities Note.

In addition to long-term liabilities in the Governmental Funds, Cook County also has incurred long-term liabilities for its business-type activities, which involve operations of Cook County Health. These obligations are paid for with user fees and charges as well as tax subsidies from the County's governmental funds. In the five-year period between FY2017 and FY2021, the total amount of business-type long-term liabilities increased by 11.7% or $627.1 million, rising from

[115] Cook County FY2021 Annual Comprehensive Financial Report, p. 102.

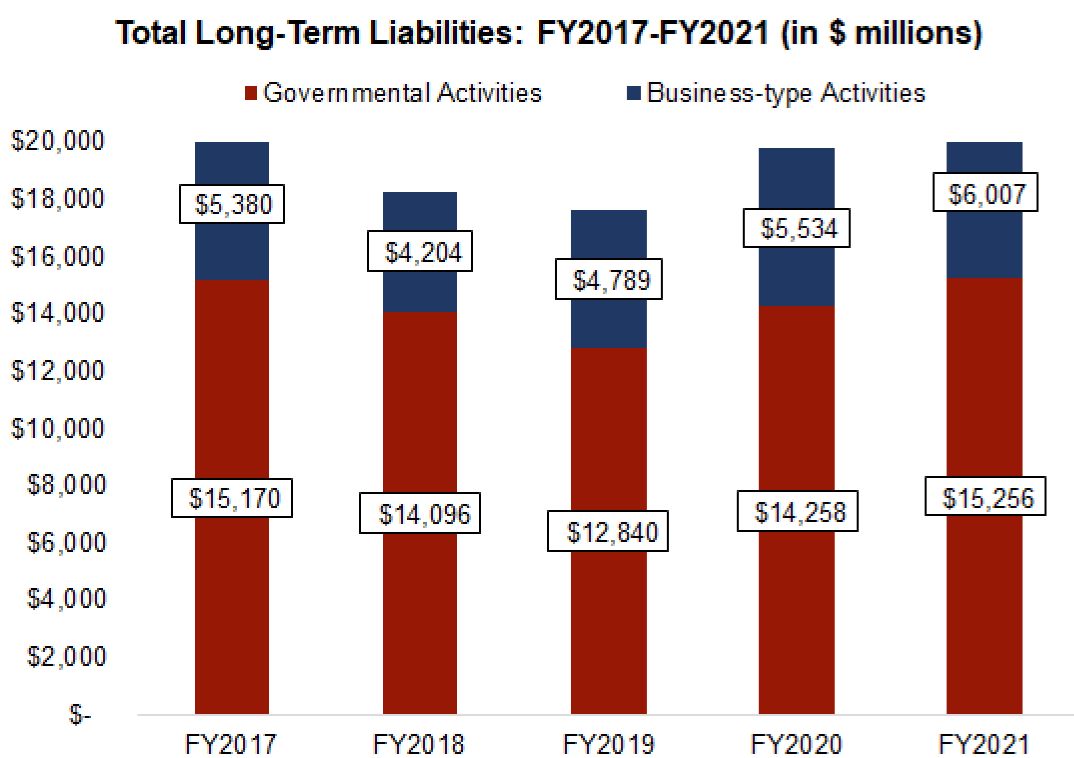
nearly $5.4 billion to $6.0 billion. Most of the increase was due to a $611.5 million increase in net pension liabilities.

Long-Term Liabilities for Business-type Activities: FY2017-FY2021
(in $ thousands)

	FY2017	FY2018	FY2019	FY2020	FY2021	$ Change FY2017-FY2021	% Change FY2017-FY2021
Compensated Absences	$ 44,609	$ 44,755	$ 46,818	$ 53,653	$ 51,277	$ 6,668	14.9%
Property Tax Objections	$ 13,003	$ 12,342	$ 10,241	$ 10,522	$ 9,684	$ (3,319)	-25.5%
Self Insurance Claims	$ 171,597	$ 179,810	$ 198,759	$ 191,812	$ 181,909	$ 10,312	6.0%
Net Pension Liabilities	$ 4,504,508	$ 3,967,522	$ 4,068,386	$ 4,691,490	$ 5,115,981	$ 611,473	13.6%
Net OPEB Liabilities**	$ 646,560	$ -	$ 465,028	$ 586,408	$ 648,562	$ 2,002	---
Total Long-Term Liabilities	**$ 5,380,277**	**$ 4,204,429**	**$ 4,789,232**	**$ 5,533,885**	**$ 6,007,413**	**$ 627,136**	**11.7%**

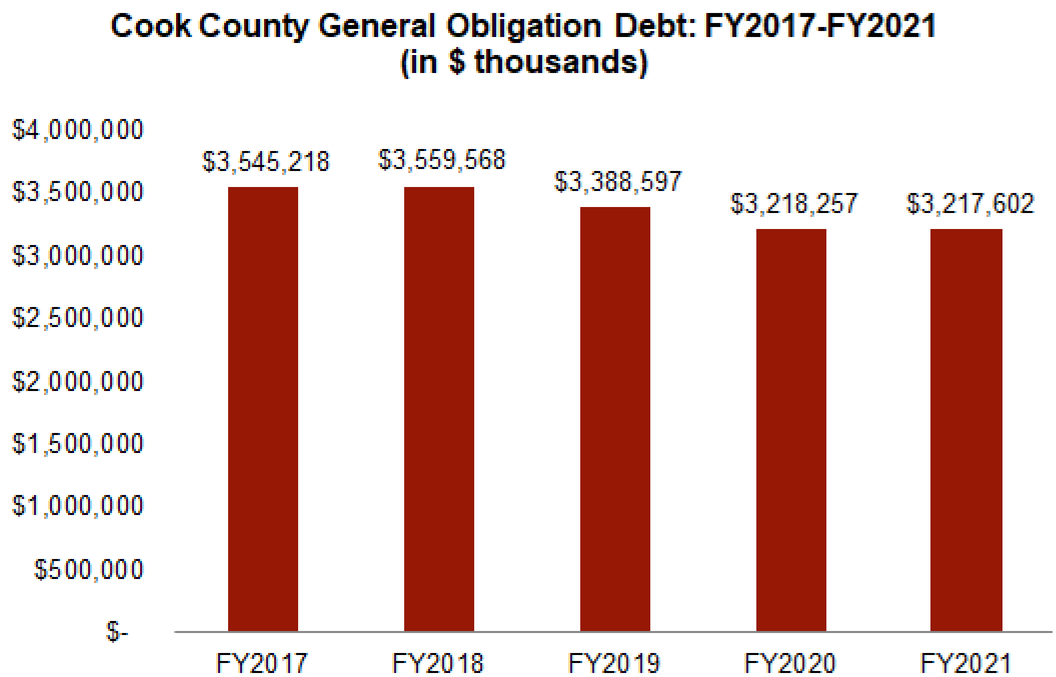
** Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.
Sources: Cook County FY2017-FY2021 Annual Comprehensive Financial Reports, Long Term Liabilities Note.

The following chart shows the total amount of Cook County long-term liabilities for both governmental activities and business-type activities. Between FY2017 and FY2021, these total obligations rose by nearly $713.4 million or 3.5%, rising from $20.6 billion to $21.3 billion.



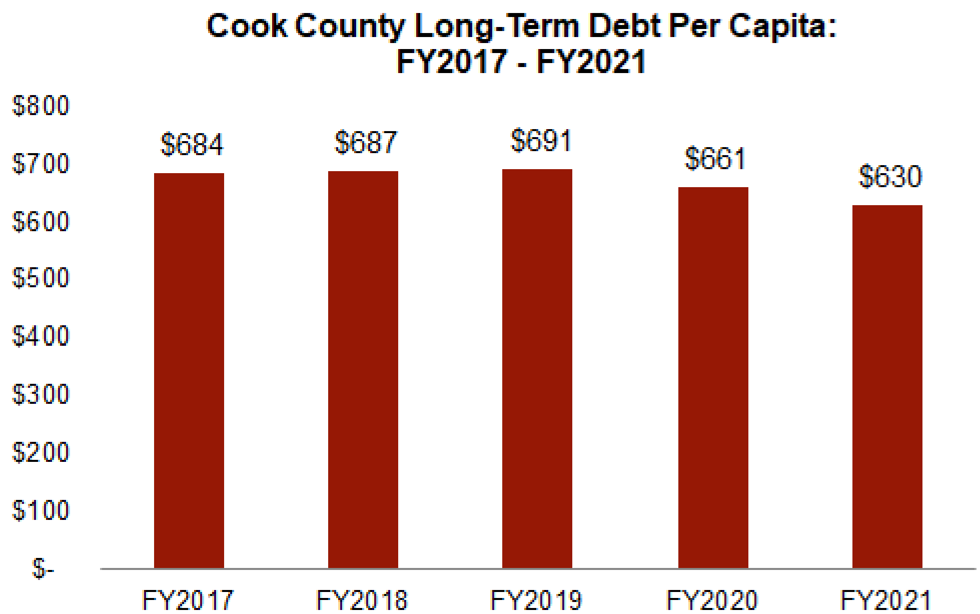
LONG-TERM TAX-SUPPORTED DEBT

Increases in a government's long-term tax-supported debt over time, also known as direct debt, can be a potential sign of rising financial risk. Cook County long-term debt includes tax supported debt issues as well as bond premiums and issuance costs. All Cook County long-term debt is general obligation debt. Long-term debt declined between FY2017 and FY2021 from $3.5 billion to $3.2 billion. This represents a decrease of 9.2%, or $327.6 million.



LONG-TERM DEBT PER CAPITA

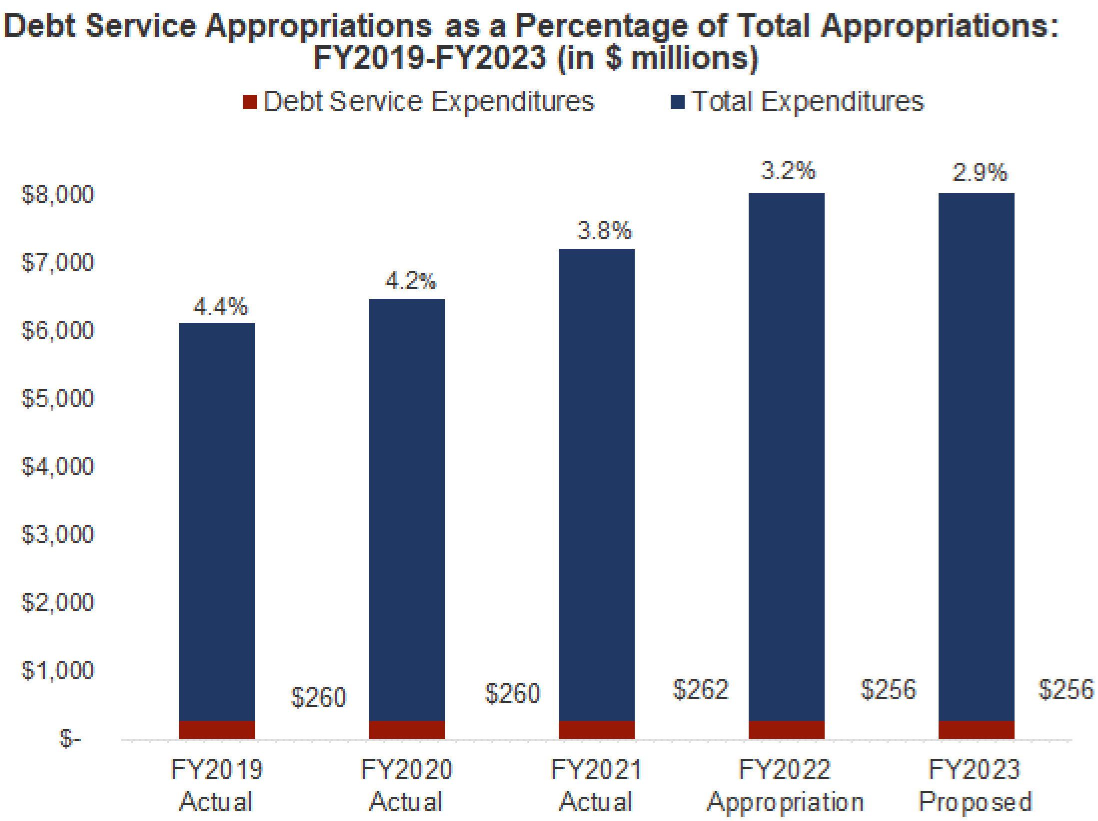
A common ratio used by rating agencies and other public finance analysts to evaluate long-term debt trends is debt per capita. This ratio reflects the premise that the entire population of a jurisdiction benefits from infrastructure improvements. This long-term debt analysis takes the total long-term debt amount reported in the County's financial statements and divides it by the County's population. The County's long-term debt includes general obligation bonds payable and bond premium and issuance costs. Increases in this indicator should be monitored as a potential sign of growing financial risk. The County's long-term per capita debt burden rose slightly between FY2017 and FY2019 before declining in FY2020 and then again in FY2021. Over the entire five-year period between FY2017 and FY2021, long-term debt capita fell from $684 to $630.



Source: Cook County FY2017-FY2021 Comprehensive Annual Financial Reports, Long-Term Liabilities Note.

Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total expenditures is frequently used by rating agencies to assess debt burden. Debt service payments at or exceeding 15-20% of all appropriations are considered high.[116] The County has not come close to the 15% threshold in the five years examined. The debt service ratio has declined over this period, from a high of 4.4% in FY2019 to a low of 2.9% for the FY2023 proposed budget, as the County's overall expenditures have grown at the same time.



Source: Cook County FY2023 Executive Budget Recommendation, Volume I, p. 105.

Cook County 2022 Bond Issue

In August 2022, Cook County issued $277.7 million in general obligation bonds. Of that amount, $268.5 million was issued in Series 2022A general obligation refunding bonds and approximately $9.32 million in Series 2022B taxable general obligation bonds. These bonds were used to refund the County's outstanding Series 2021C bonds that mature on or after

[116] Standard & Poor's *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 9 2009, p. 18.

November 2, 2023.[117] The refunded bonds will be called for redemption on November 15, 2022.[118]

The bond issue received the following underlying credit ratings: A2 with a positive outlook from Moody's, A+ with a stable outlook from Standard & Poor's Global and AA- with a stable outlook from Fitch Ratings.[119] Kroll Bond Rating Agency assigned an AAA rating with a stable outlook on these bonds as well, citing the County's robust revenue base and strong bondholder protections.[120]

Cook County Bond Ratings

The table below summarizes the credit ratings as of November 2022 for various types of Cook County bonds.

COOK COUNTY BOND RATINGS (as of November 2022)		
	Rating	**Outlook**
General Obligation Debt		
Moody's Investors Services	A2	Positive
Standard & Poors	A+	Stable
Fitch Ratings	AA-	Stable
Sales Tax Debt		
Standard & Poors	AA-	Stable
Kroll	AAA	Stable

Source: Cook County Bond Ratings at https://www.cookcountyil.gov/service/cook-county-bond-ratings.

Recent Cook County Credit Actions

The following narrative summarizes recent actions taken by rating agencies regarding Cook County debt issuances and credit ratings shown in the table above:

Kroll Rating Actions

As noted above, Kroll Bond Rating Agency assigned an AAA rating with a stable outlook on the County's 2022 bond issuance.[121] Kroll had previously assigned a AAA rating with a stable outlook to the Series 2021A sales tax revenue bonds on December 18, 2020. At that same time, Kroll had affirmed its AAA rating with a stable outlook to the County's Series 2018 sales tax revenue bonds because the County's pledged sales tax revenue stream guarantees strong debt

[117] Cook County, Official Statement: $277,705,000 General Obligation Refunding Bonds, Series 2022A and Series 2022B, August 11, 2022, p. i.
[118] Cook County, Official Statement: $277,705,000 General Obligation Refunding Bonds, Series 2022A and Series 2022B, August 11, 2022, p. 10.
[119] Cook County, Official Statement: $277,705,000 General Obligation Refunding Bonds, Series 2022A and Series 2022B, August 11, 2022, p. 62.
[120] Kroll Bond Rating Agency. KBRA Assigns AAA Rating to Cook County, Illinois Sales Tax Revenue Bonds, Series 2022A and Sales Tax Revenue Bonds, Refunding Series 2022B; Affirms Parity Debt; Outlook is Stable, July 25, 2022 .
[121] Kroll Bond Rating Agency. KBRA Assigns AAA Rating to Cook County, Illinois Sales Tax Revenue Bonds, Series 2022A and Sales Tax Revenue Bonds, Refunding Series 2022B; Affirms Parity Debt; Outlook is Stable, July 25, 2022.

service coverage, the issue includes robust bondholder protections and the County has a strong and diverse economic base.[122]

Standard and Poor's Credit Actions

Cook County's August 2022 Series 2022A general obligation refunding bonds and Series 2022B taxable general obligation bonds received an A+ with a stable outlook from Standard & Poor's Global.[123]

On November 5, 2021, S & P raised the outlook on Cook County general obligation debt from negative to stable while affirming its A+ rating. The change reflected the County's improved fiscal situation, due in part to the receipt of substantial American Rescue Plan funds from the federal government.[124] The rating agency also affirmed its AA- rating for Cook County sales tax debt and upgraded the outlook from negative to stable. The reason for the outlook change was the County's proactive budgeting and strong revenue performance.[125]

In December 2020, S & P assigned an AA- rating to Cook County's 2021A sales tax revenue bonds and affirmed the AA- rating on the county's existing sales tax revenue bonds. The outlook assigned was negative.[126]

In January 2020, Standard and Poor's reduced the credit rating for Cook County general obligation bonds to A+ with a negative outlook from the previous rating of AA- with a negative outlook. It also lowered the rating for the County's sales tax revenue debt from AA to AA- with a stable outlook. The reason for the downgrade was that although the County had made strides in meeting its employee pension obligations, its ability to fund ongoing obligations remains very challenging.[127] Several months later, in May 2020, Standard & Poor's lowered the outlook for both general obligation and sales tax revenue bonds to negative. The revised outlook was due to concerns over the financial pressures caused by the coronavirus pandemic.[128]

Fitch Rating Actions

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122 Kroll Bond Rating Agency, KBRA Assigns AAA Rating with Stable Outlook to Cook County, Illinois Sales Tax Revenue Bonds, Series 2021A, December 18, 2020.

123 Cook County, Official Statement: $277,705,000 General Obligation Refunding Bonds, Series 2022A and Series 2022B, August 11, 2022, p. 62.

124 S & P Global Ratings. Cook County, IL GO Bond Outlook Revised To Stable From Negative; $255 Million GO Refunding Bonds Assigned 'A+' Rating, November 5, 2021 at:https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/2751211.

125 Standard and Poor's Global. Cook County, IL Sales Tax Revenue Bond Outlook Revised To Stable From Negative, Rating Affirmed At 'AA-', November 5, 2021 at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/2751213.

126 Standard and Poor's Global. Cook County, IL 2021A GO Bonds Assigned 'A+' Rating; Other Ratings Affirmed; Outlook Negative, December 21, 2020 at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/2573531.

127 Rachel Hinton. "Cook County bond rating slips a notch," Chicago Sun Times, January 10, 2020 at https://chicago.suntimes.com/politics/2020/1/10/21060747/cook-county-bond-rating-s-p-downgrade-notch.

128 Rachel Hinton. "Cook County bond rating slips a notch," Chicago Sun Times, May, 1, 2020 at https://chicago.suntimes.com/politics/2020/5/1/21244265/cook-county-bond-rating-outlook-downgraded-negative.

Fitch Ratings upgraded Cook County's outstanding general obligation bond ratings as well as its issuer default rating to AA- from A+ on November 4, 2021. The outlook provided was stable. Fitch also assigned an AA- rating to Cook County $210 million general obligation refunding bonds (series 2021B) and $45 million taxable general obligation refunding bonds (series 2021C). The upgrade to AA- was based on Fitch's assessment of the County's ongoing improvement in its operating results, its strong reserve position and its overall financial resilience. Fitch observed that FY2021 was the seventh consecutive year in which the County reported surplus general funds; this increased unrestricted reserve funds to approximately 40% of operating expenditures.[129] The upgrade was the first to take place under Cook County Board President Toni Preckwinkle's administration, which took office in 2010.[130]

On December 18, 2020, Fitch provided Cook County's 2021A refunding bond issue with an A+ rating with a stable outlook. The rating agency based its rating on several factors:

- The County has strong reserves, giving it the ability to deal with the fiscal pressures brought about by the COVID-19 pandemic and cyclical economic downturns;
- The long-term liability burden is moderate relative to the County's tax base;
- The County government has demonstrated its ability to control costs and raise taxes when necessary; and
- The County has addressed its unfunded pension liabilities, in part, by increasing funding.[131]

Moody's Rating Actions

In August 2022, Moody's Investors Services assigned an A2 rating to Cook County Series 2022A and Series 2022B general obligation bonds, affirmed its A2 rating on outstanding general obligation debt and raised the outlook from stable to positive. The outlook change reflected the County's strong financial position and its accumulation of reserves.[132]

Moody's Investors Services assigned an A2 rating to Cook County's Series 2021B and Series 2021C bond issues and affirmed its A2 rating on outstanding general obligation debt in November 2021. The outlook assigned was stable based on the County's sizeable reserves and "prudent financial management."[133]

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[129] Fitch Ratings. Fitch Rates Cook County, IL's 2021 Series B&C ULTGO Refunding Bonds 'AA-'; Outlook Stable, November 4, 2021 at: https://www.fitchratings.com/research/us-public-finance/fitch-rates-cook-county-il-2021-series-b-c-ultgo-refunding-bonds-aa-outlook-stable-04-11-2021.

[130] A.D. Quig. Crain's Chicago Business. Fitch upgrades Cook County debt, November 4, 2021 at https://www.chicagobusiness.com/government/cook-county-debt-upgraded-fitch-ratings.

[131] Fitch Ratings, Fitch Rates Cook County, (IL)'s 2021A ULTGO Refunding Bonds 'A+'; Outlook Stable. December 18, 2020 at https://www.fitchratings.com/research/us-public-finance/fitch-rates-cook-county-il-2021a-ultgo-refunding-bonds-a-outlook-stable-18-12-2020.

[132] Moody's Investors Services. Rating Action: Moody's affirms Cook County, IL's A2 & assigns to Series 2022A & B GOs; revises outlook to positive, August 2, 2022.

[133] Moody's Investors Services. Rating Action: Moody's assigns A2 to Cook County, IL's GO bonds, November 4, 2021.