



# The Civic Federation

Research \* Information \* Action \* Est. 1894

## COOK COUNTY FY2021 EXECUTIVE BUDGET RECOMMENDATION:

### *Analysis and Recommendations*

November 19, 2020

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*The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.*

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## **EXECUTIVE SUMMARY**

The Civic Federation supports the Cook County FY2021 Executive Budget Recommendation of \$6.92 billion because it reflects the foresighted work Cook County has done over the past several years to establish a structurally balanced budget, which has positioned the County well to endure the financial crisis caused by the COVID-19 pandemic. The County has built up its general operating reserves consistently since FY2014, primarily by revenues outpacing expenditures annually. At the end of FY2020, the County projects it will have \$552.9 million in General Fund reserves, which is nearly four months of operating expenditures—well above the Government Finance Officers Association best practice guidance of two months' worth of reserves.

The FY2021 budget proposal closes a total budget deficit of \$409.2 million. The \$222 million General Fund budget gap, caused by revenue losses in economically sensitive revenue sources related to the pandemic, will be closed through the elimination of 659 vacant positions, the one-time use of General Fund reserves, federal coronavirus funding, higher than anticipated tax increment financing (TIF) surplus revenue from the City of Chicago and higher than anticipated sales tax revenue. The \$187 million Health Fund budget gap will be closed through a combination of expenditure reductions, including 130 layoffs, and new revenue, including an increase in the property tax allocation from the County.

The FY2021 proposed budget represents an 11.6% increase over the 2020 adopted budget, primarily due to growth in the Cook County Health budget. Cook County Health's proposed budget for FY2021 of \$3.4 billion is an increase of \$563.4 million, or 19.9%, from the \$2.8 billion budget adopted for FY2020. The increase mainly reflects a projected increase in CountyCare membership to 356,343 from the budgeted level of 326,034 in FY2020 and the associated increase in medical claims from healthcare providers in the plan's network, as well as higher personnel expenses due partly to the proposed addition of 141.5 full-time equivalent positions (FTEs). The Federation supports Cook County Health's proposed staffing level changes to match personnel to patient activity and medical needs

The Civic Federation commends Cook County in its handling of the COVID-19 pandemic. However, the Federation is concerned about the financial impact of the pandemic and the possibility that a significant portion of the federal support received by the health system in FY2020 might have to be repaid due to a revised interpretation of federal law. Also of concern is the threat of repeal of the Affordable Care Act, which would impact Medicaid coverage of about 300,000 County residents and put even more pressure on Cook County Health.

The Civic Federation applauds the County for continuing to allocate a supplemental payment to the Cook County Pension Fund on top of the statutorily required amount. The additional pension contributions—\$312.0 million in FY2021, for a total contribution of \$543.9 million—have reversed the downward trajectory of the pension fund and put it on a path to reach 100% funded by 2047.

The Federation also supports the continued work of the Independent Revenue Forecasting Commission. Going forward, the Federation recommends that the Commission or a similar body examine the revenue forecasts of Cook County Health. A third-party review is warranted given the size and complexity of the health system's finances.

Several recommendations are made related to continued improvements in transparency including holding hearings on the operations and budget of the Cook County Sheriff's Office, continuing to livestream Cook County Health Board meetings after the pandemic ends and clarifying information in the budget book. The Civic Federation also offers several recommendations related to pensions, including providing

pension funding support to the Forest Preserve District of Cook County, and recommendations to the new Clerk of the Circuit Court.

The Federation remains concerned about Cook County Health's plan to build a new \$240.9 million Provident Hospital because the County has not made an adequate public case for the need for more hospital beds. The Civic Federation continues to urge the County to reconsider its plans and focus instead on providing outpatient services, an area where Provident's ability to serve patients has been well demonstrated.

Finally, the pandemic has highlighted distressing health disparities across the region. The Civic Federation calls on the Cook County Board to create a regional commission to study Cook County healthcare needs and charity care issues, with a focus on the known disparities affecting residents of Chicago's West and South Sides and the south suburbs. The commission should include representatives of the State, County and City of Chicago, public and private healthcare providers, labor organizations and academic experts.

The Civic Federation presents the following **key findings** from the Cook County FY2021 proposed budget:

- The County's Executive Budget Recommendation proposes total spending of \$6.9 billion, which includes an operating budget of \$6.6 billion. The \$6.6 billion operating budget is an increase of \$736.7 million, or 12.6%, from the FY2020 adopted budget of \$5.9 billion.
- Cook County expects to generate \$773.1 million in property tax revenue in FY2021, which is a slight increase of \$8.7 million, or 1.1%, compared to the levy of \$764.4 million in FY2020. While the County has held its base property tax level flat at \$720.5 million since 2001, the total tax levy also includes \$63.7 million in additional property tax revenue due to \$22.6 million from expiring TIF districts, \$38.1 million from new property and \$3.0 million from expiring incentives.
- Cook County proposes a total capital spending plan of \$517.1 million in FY2021 and a ten-year capital investment of \$2.1 billion through FY2030.
- General Fund appropriations of \$1.89 billion, which account for public safety and administrative County functions, represent a proposed decrease of \$24.7 million, or 1.3%, from the FY2020 adopted budget of \$1.92 billion. The decrease in the General Fund is primarily due to the elimination of 659 full-time equivalent positions.
- Cook County Health appropriations are expected to increase by \$563.4 million, or 19.9%, to \$3.4 billion from \$2.8 billion in the FY2020 budget. The increase mainly reflects the projected rise in CountyCare memberships to 356,343 from the budgeted level of 326,034 in FY2020 and the associated increase in medical claims from healthcare providers in the plan's network. Personnel expenses also increase due to the proposed addition of 141.5 full-time equivalent positions (FTEs), contractual wage increases and other factors.
- The Health System will receive a net property tax allocation from the County in the amount of \$123.7 million, which is an increase of \$40 million from \$82.7 billion in FY2020.
  - The property tax allocation from the County to the health system had decreased annually from FY2009 through FY2019. In FY2020 the health system received a modest increase of \$10 million. The additional \$40 million increase in FY2021 is intended to help Cook County Health close its FY2021 budget deficit and provide additional services.
  - The County also contributes to health system-related pension contributions and debt service. Total County support on behalf of the health system in FY2021 is \$421.7 million.

- The cost of uncompensated care is projected to remain high at \$487 million in FY2021. Uncompensated care rose slightly to \$510 million in FY2019, then fell to a projected cost of \$418 million in FY2020.
- The County proposes a total of 21,106.1 budgeted full-time equivalent (FTE) positions in FY2021 across the General Fund, Health Fund and special purpose funds (excluding grant funds). This is a net decrease of 543.1 FTEs, or 2.5%, from the adopted FY2020 budget.
  - FTE positions in the General fund are proposed to decrease by 659.2, through the elimination of vacant positions.
  - The Health Fund proposes a net increase by 141.5 FTEs, involving a combination of position decreases and increases across various service areas. This includes 130 layoffs.
- The County plans to make a supplemental contribution to the pension fund of in FY2021 of \$312.0 million above the statutory multiple contribution of approximately \$201.9 million, for a total contribution of \$513.9 million. FY2021 will be the sixth year the County contributes a supplemental amount to the pension fund.
- The unfunded actuarial accrued liabilities for the County's pension fund grew from \$5.2 billion in FY2010 to \$7.0 billion in FY2019.
- The actuarial value funded ratio for the County's pension fund has increased slightly from 60.7% funded in FY2010 to 61.2% in FY2019. The FY2019 level is up from a low of 53.5% funded in FY2012.
- In the five-year period from FY2015 to FY2019, the County's outstanding long-term debt decreased by 6.4%, or \$232.2 million, from \$3.6 billion to \$3.4 billion.

The Civic Federation **supports** the following elements of the Cook County FY2021 proposed budget:

- Steps taken over the past several years that position the County to withstand the economic crisis caused by COVID-19;
- Matching staffing levels within Cook County Health to patient volume and medical needs;
- Improved transparency with Cook County Health financial information;
- An amendment made to the Inspector General's ordinance requiring the inclusion of agency responses in program investigations;
- Finalization of the County Clerk's assumption of the Recorder of Deeds office;
- Improved revenue transparency through the work of the Independent Revenue Forecasting Commission; and
- Increased cost sharing in the Retiree Health Plan.

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

- Financial risks presented by the COVID-19 pandemic;
- Potential loss of federal pandemic-related assistance to Cook County Health;
- Uncertainty related to repeal of the Affordable Care Act; and
- Plans to build a new Provident Hospital with inpatient services rather than the previously proposed regional outpatient center.

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

- The Civic Federation calls on the Cook County Board to create a regional commission to study Cook County healthcare needs and charity care issues, with a focus on the known disparities affecting residents of Chicago's West and South Sides and the south suburbs. The commission

should include representatives of the State, County and City of Chicago, public and private healthcare providers, labor organizations and academic experts;

- Reconsider the inpatient aspects of the Provident Hospital project;
- Equip the Independent Revenue Forecasting Commission or a similar body to conduct reviews of Cook County Health revenue projections;
- Continue to livestream Cook County Health Board meetings after the pandemic and post recordings of past meetings;
- Move forward on holding meetings about the Sheriff's Office operations;
- Clarify year-end estimates in the budget book;
- Reclassify Health Fund revenue sources in the budget book to align with Cook County Health operations;
- Obtain statutory authority for supplemental pension contributions;
- Enact a multi-year intergovernmental agreement with the Cook County Pension Fund for supplemental contributions in the absence of State legislation;
- Provide pension funding support to the Cook County Forest Preserve District; and
- Work with the new Clerk of the Circuit Court to take several steps to improve budget transparency, efficiency and accountability.

## **CIVIC FEDERATION POSITION**

The Civic Federation **supports** the Cook County FY2021 Executive Budget Recommendation of \$6.92 billion because it reflects the foresighted work Cook County has done over the past several years to establish a structurally balanced budget, which has positioned the County well to endure the financial crisis caused by the COVID-19 pandemic. The County has built up its general operating reserves consistently since FY2014, primarily by revenues outpacing expenditures annually. At the end of FY2020, the County projects it will have \$552.9 million in General Fund reserves, which is nearly four months of operating expenditures—well above the Government Finance Officers Association best practice guidance of two months' worth of reserves.

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The Civic Federation commends Cook County in its handling of the COVID-19 pandemic. However, the Federation is concerned about the financial impact of the pandemic and the possibility that a significant portion of the federal support received by the health system in FY2020 might have to be repaid due to a revised interpretation of federal law. Also of concern is the threat of repeal of the Affordable Care Act, which would impact Medicaid coverage of about 300,000 County residents and put even more pressure on Cook County Health.

The Civic Federation applauds the County for continuing to allocate a supplemental payment to the Cook County Pension Fund on top of the statutorily required amount. The additional pension contributions—\$312.0 million in FY2021, for a total contribution of \$543.9 million—have reversed the downward trajectory of the pension fund and put it on a path to reach 100% funded by 2047.

The Federation also supports the continued work of the Independent Revenue Forecasting Commission. Going forward, the Federation recommends that the Commission or a similar body examine the revenue forecasts of Cook County Health. A third-party review is warranted given the size and complexity of the health system's finances.

Several recommendations are made related to continued improvements in transparency including holding hearings on the operations and budget of the Cook County Sheriff's Office, continuing to livestream Cook County Health Board meetings after the pandemic ends and clarifying information in the budget book. The Civic Federation also offers several recommendations related to pensions, including providing pension funding support to the Forest Preserve District of Cook County, and recommendations to the new Clerk of the Circuit Court.

The Federation remains concerned about Cook County Health's plan to build a new \$240.9 million Provident Hospital because the County has not made an adequate public case for the need for more hospital beds. The Civic Federation continues to urge the County to reconsider its plans and focus instead on providing outpatient services, an area where Provident's ability to serve patients has been well demonstrated.

Finally, the pandemic has highlighted distressing health disparities across the region. The Civic Federation calls on the Cook County Board to create a regional commission to study Cook County healthcare needs and charity care issues, with a focus on the known disparities affecting residents of Chicago's West and South Sides and the south suburbs. The commission should include representatives of the State, County and City of Chicago, public and private healthcare providers, labor organizations and academic experts.

### **Issues the Civic Federation Supports**

The Civic Federation **supports** the following elements of Cook County's FY2021 Executive Budget Recommendation.



### ***Steps Taken that Position the County to Withstand the Economic Crisis***

Cook County has positioned itself well to withstand the financial impact of the COVID-19 pandemic and resulting 2021 fiscal year budget gap of \$222 million in the General Fund and \$187 million in the Health Fund thanks to steps taken over the past several years. The County has built up general operating reserves to a level above that recommended by the Government Finance Officers Association. As of the end of FY2019, the County had \$456.4 million in unrestricted general operating reserves, equaling more than three months' worth of operating expenses. The projected general operating fund balance for year-end FY2020 increased to \$552.9 million, which is 32.8%, or nearly four months, of operating expenditures. This means the County can use some of those funds to balance the budget, but still have a significant reserve left over for future years or if the recession worsens. The County steadily built up its fund balance from \$62.5 million at the end of FY2014, which was only half a month of expenses that year.

The County also began making supplemental pension fund contributions in FY2016, funded by a one percentage point increase in the County's sales tax rate. These additional contributions have reversed the downward trajectory of the Cook County pension fund, which would run out of money by 2043 without the supplemental payments.<sup>1</sup> The County will contribute \$312.0 million on top of the statutorily required payment of \$201.9 million in FY2021, for a total contribution of \$543.9 million. The County's supplementary payment schedule is planned to increase by no more than 2% each year and result in a 100% funded ratio in by 2047. The funded ratio has increased from a low of 53.5% funded in FY2012 to 61.2% funded at the end of FY2019.

Cook County also meets best practice guidance related to long-term debt burden levels and short-term liquidity. The County's long-term debt has remained fairly highly rated at investment grade by credit ratings agencies.

These are all positive signs that the County is well-positioned to bear the burden of the economic downturn that is expected to continue in FY2021 and could take years from which to fully recover. Additionally, the County's ability to balance the FY2021 budget without making any major service cuts or tax increases helps avoid additional harm to residents beyond that caused by an already prolonged economic recession.

### ***Matching Staffing Levels to Patient Volume and Medical Needs within Cook County Health***

The Civic Federation supports Cook County Health's initiatives in FY2021 to better match resources to community needs by shifting staffing based on patient volume and medical condition. As part of this initiative, Cook County Health is suspending inpatient pediatrics at Stroger Hospital, reducing the number of staffed hospital beds at Provident based on average daily use, downgrading Provident's emergency room to a less heavily staffed standby facility, consolidating two clinics into Provident's Sengstacke Health Center and expanding outpatient services at Provident including dialysis and colon cancer screening.

While Cook County Health is proposing an overall net increase in personnel positions of 141.5 full-time equivalent positions in FY2021, the health system is implementing a number of staffing

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<sup>1</sup> Cook County Pension Committee Meeting, July 28, 2020.

changes aimed at matching personnel levels to patient volumes and medical needs. The health system is proposing 130 total layoffs, for which CCH officials have said they are attempting to minimize job losses through resignations and filling of system vacancies. The change in positions in FY2021 is intended to align staffing with patient activity, ensure that care is provided in the most appropriate setting and reduce costs.

Staffing decreases are planned to take place within Cook County Health administration, Ambulatory and Community Health Network (ACHN) clinics, Provident Hospital, Health Plan Services and the Oak Forest Health Center. CCH plans to end all of its activities at the County's Oak Forest property by the end of FY2020, relieving the system of maintenance and utility expenses at the site. Some positions at ACHN clinics will be transferred to Provident's Sengstacke clinic.

Staffing increases are planned to take place at Stroger Hospital and Cermak Health Services, which provides healthcare to detainees in the Cook County Jail. A proposed increase of 303.1 positions at Stroger is part of an effort to hire more staff to reduce overtime pay and replace expensive personnel contracted from outside firms, as well as some program and personnel shifts, including the transfer of care integration staff from CountyCare and physical therapy services from Provident Hospital.<sup>2</sup> At the same time, the budget calls for the suspension of Stroger's pediatric inpatient unit for one year due to low volume. The increase in positions for Cermak are to replace expensive contracted personnel and for pandemic-related distancing requirements at the jail.

### ***Improved Transparency with Cook County Health Financial Information***

Cook County Health's finances are complex and difficult for the public and Cook County Commissioners to understand. This is partly because the health system operates not only as a provider of medical services through its hospitals and clinics but also as an insurance company through the CountyCare Medicaid managed care plan. These inherent complexities are exacerbated by a financial reporting issue. While the County budget and monthly reports to the County Board are based on cash flow, Cook County Health's internal reporting is on an accrual basis, in which revenues and expenses are booked when they are earned or incurred rather than when money is disbursed or received.

The Civic Federation supports recent changes in health system financial reporting that make it easier to compare its operating results and financial plans with those of the rest of the County. The system's preliminary FY2021 budget was presented to the Cook County Health Board on a budget basis, in the same way that it was later incorporated into the overall County budget. Financial reports to the health system's Board and committees now exclude non-cash items such as pension costs that have in the past masked operating results. For example, the health system ended FY2019 with a budgetary deficit of \$488.8 million. But during much of that year the financial results reported to the system's directors were favorable due to issues involving pensions.

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<sup>2</sup> Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-69.

The Federation also supports Cook County Health's recent willingness to report potential financial problems promptly, even before all the details can be fully analyzed. In a recent example, the day after learning about a revised interpretation of a federal pandemic-related law, officials reported to the health system's Finance Committee that the change could cost the system \$50 million to \$100 million. This is in marked contrast to what happened in 2019, when the health system in mid-June of that year predicted a budgetary loss of about \$103 million, which they said could largely be closed with new Medicaid reimbursements. The actual loss for the year was more than four times that amount.

### ***Amendment Made to the Inspector General's Ordinance Requiring the Inclusion of Agency Responses in Program Investigations***

In its analysis of the FY2020 Cook County budget, the Civic Federation recommended that the Cook County Board of Commissioners revise the Cook County Independent Inspector General's enabling ordinance to require that reports in the nature of program audits be sent to agency management before being published and that the agency under review be offered the opportunity to provide a formal written response, to be included in the Inspector General's published report. The recommendation followed a widely publicized report by the Inspector General in June 2019 that was highly critical of the financial practices of CountyCare, the Medicaid managed care plan run by the County's public health system. Cook County Health disputed the findings but did not provide a formal rebuttal until three months later. Health system officials said that they were caught off guard by the Inspector General's report and that it damaged the system's reputation. The purpose of the change recommended by the Civic Federation was to avoid situations involving conflicting information with no clear resolution.

County Board President Toni Preckwinkle's office subsequently incorporated the Federation's recommendation into an amendment to the Inspector General ordinance. The Federation testified in favor of the amendment at a County Board meeting in December 2019. The item was deferred until September 2020, and approved by the Board of Commissioners at its September 24 meeting.<sup>3</sup> Among other changes, the amendments to the Inspector General ordinance require that responses from agencies be included in public reports about investigations into waste and mismanagement.

The Civic Federation commends the County Board President and Board of Commissioners for making this change to the ordinance governing the Independent Inspector General. The change will ensure the inclusion of agency responses that provide context and explanation of operational and financial issues and outline corrective steps to be taken, which will help observers gain a more complete understanding of the outcome. It also brings the Inspector General process for program audits and reviews in line with other practices of agencies including the City of Chicago Inspector General and the Illinois Auditor General.

### ***Finalization of the County Clerk's Assumption of the Recorder of Deeds Office***

On December 7, 2020, the Cook County Recorder of Deeds Office will be eliminated and all duties and responsibilities of the Recorder of Deeds will be assumed by the Cook County Clerk.

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<sup>3</sup> Cook County Board Item 20-0016.

This transfer of duties to the Clerk was approved by the Cook County electorate through a binding referendum on the November 2016 general election ballot, following approval by the Board of Commissioners in June 2016 to place the question on the ballot. The Civic Federation supported this office consolidation and included it as a recommendation in a 2010 Cook County Modernization report.

Over the last four years, the Clerk and Recorder of Deeds offices have been working on transition plans and providing quarterly reports to the Board of Commissioners with updates on progress. The Federation commends the Cook County Clerk and Recorder of Deeds for working collaboratively to reach a final plan for assumption of duties. The final implementation plan reports that the consolidation of the offices will save \$1.45 million in FY2021 and \$6.7 million over the next three years. The consolidation will reduce the amount of space used by the two offices, freeing up space that can now be leased by the County. The Recorder's Vital Records unit will move from the basement level of the Daley Center to the first floor of the County building. Election operations and the Clerk's administrative offices will also be relocated. The process allowed for the reevaluation of staffing levels and positions descriptions, office streamlining and implementation of new technology systems.

#### ***Improved Revenue Transparency through the Independent Revenue Forecasting Commission***

The Cook County Independent Revenue Forecasting Commission established by the Board of Commissioners in October 2018 has been meeting on a regular basis since July 2019. The Commission consists of three members: two economists associated with universities in Cook County and one member of the public with expertise in public finance; and is chaired by the County's Chief Financial Officer. All meetings and activities of the Commission are open to the public and subject to the Open Meetings Act.

Much of the Independent Revenue Forecasting Commission's initial work in 2019 focused on developing recommendations to improve the accuracy of the modeling and methodologies used for forecasting each tax source. The Commission's work in 2020 involved implementation of the recommendations around consistency of data used for modeling, consistent documentation of sources, and developing alternative forecasts. The Commission also has clarified that its scope includes all County revenue sources. While the Commission has so far focused most closely on home rule taxes that support the County's general operating fund and are economically sensitive, the Commission has left open the option to look at other revenue sources such as those funding Cook County Health.

The work of the Independent Revenue Forecasting Commission has made more information available to the public about how the County develops its revenue projections and posted all meeting materials and presentations on the County website. During the COVID-19 pandemic, the Commission's meetings have been especially helpful in providing information about projected revenue losses due to the pandemic. Additionally, alternative scenario planning information has been included in the County's budget book for the first time in the FY2021 proposed budget. The Cook County budget has historically included a five-year forecast of General Fund and Health Fund projected deficits based on projected revenues and expenses. This year, the budget includes information about three different scenarios that could take place over the next five years

depending on how the recovery from COVID-19 progresses, and the potential impact on General Fund reserves.

The Civic Federation commends the work of the Independent Revenue Forecasting Commission and the staff of the Cook County Bureau of Finance for taking all of these steps to improve transparency of Cook County forecasts.

### ***Increased Cost Sharing in Retiree Health Plan***

The Cook County Pension Fund administers a retiree healthcare plan that provides a premium subsidy for annuitants who elect to participate. The Plan may pay all or any portion of the premium for health insurance on behalf of each annuitant who participates in any of the Plan's healthcare plans, subject to the determination of the Pension Board of Trustees.<sup>4</sup> In recent years, the Trustees have chosen to annually increase cost sharing with retirees by reducing the level of subsidy. Between FY2017 and FY2019 the subsidy for annuitants has been reduced from between 45-50% for retirees to 34-48%, depending on whether the person with coverage is eligible for Medicare or not and the level of coverage they choose. The subsidy for survivors has been reduced from between 60-65% to 44-58%, depending on whether the survivor is eligible for Medicare or not and the level of coverage they choose.

The changes made to provisions increasing cost sharing in FY2018 and FY2019 reduced the Total OPEB Liability by a combined \$345.0 million and contributed to a reduction to the Net OPEB Liability the County must report in its financial statements between the initial reporting under GASB Statement 74/75 in FY2017 and FY2019. As the cost of healthcare continues to rise, if the Cook County Pension Fund chooses to provide healthcare benefits to both Medicare and non-Medicare eligible retirees, it is reasonable and necessary to increase cost sharing with those beneficiaries to offset those increased costs and ensure the benefits are sustainable.

### **Civic Federation Concerns**

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

### ***Financial Risks Presented by the COVID-19 Pandemic***

The economic impact of COVID-19 pandemic caused severe revenue losses in FY2020. The County's sales tax and other home rule tax revenues in FY2020 are projected to be \$260 million below budget, and revenue losses are expected to continue, at a lesser extent, in FY2021. The pandemic also impacted Cook County Health's revenues as the health system had to temporarily halt elective surgeries from mid-March through mid-May in order to accommodate COVID-19 cases, and has for the second time just now begun to halt elective surgeries that require an overnight hospital stay.<sup>5</sup> New daily coronavirus cases have now reached levels three times as high as new cases reported at the height of the pandemic during the spring. Cook County has planned several scenarios of what the COVID-19 recovery could look like, and what impact each scenario would have on general operating fund balance. In the worst-case scenario, Illinois

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<sup>4</sup>Cook County FY2019 Comprehensive Annual Financial Report, p. 110.

<sup>5</sup> Statement by Cook County Health Interim Chief Business Officer Andrea Gibson, Cook County Finance Committee meeting, November 18, 2020

would regress back into Phase 3, re-enter Phase 4 in December of 2021 and recovery would not begin until June 2022. Illinois re-entered Phase 3 on November 17, which reflects the trajectory of the worst-case scenario. These scenarios are very helpful to understand the potential ongoing financial impact of COVID-19 and the Civic Federation commends the County for its transparency.

The structural reforms the County has put in place over the course of many years have positioned the County well to handle the impact of the crisis compared to other Chicago peers. However, the uncertainty surrounding the longer-term impacts of the pandemic on the economy and uncertainty with regard to another round of federal funding presents a challenge for the County that could continue for several years. The Civic Federation recognizes the urgent need for federal aid to replace revenue lost to state and local governments due to economic disruptions caused by COVID-19, and calls on Congress to pass additional COVID-19 relief legislation that covers revenue loss in order to stabilize state and local governments.

### ***Potential Loss of Federal Pandemic-Related Assistance to Cook County Health***

So far in FY2020, relief funds from the federal government have helped offset revenue losses and increased expenses at Cook County Health due to the pandemic. However, health system officials have recently warned that a significant portion of the funding might be in jeopardy.

The main issue involves money received under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. At a CCH Finance Committee meeting on October 23, Interim Chief Business Officer Andrea Gibson told directors that \$50 million to \$100 million of the \$153.4 million received under the CARES Act might have to be repaid next year because of a revised government interpretation of how revenue loss is calculated.<sup>6</sup> The money was intended to help compensate for the virus-related decline in patient activity.

Additionally, about \$33 million in pandemic-related enhancements to federal funding regularly received by the health system is also at risk. Cook County Health receives these regular payments from the federal government because it serves so many low income and uninsured patients. The payments were enhanced under the Families First Coronavirus Relief Act, but the additional funds might have to be returned or treated as an advance due to limits on available federal funding, officials have said.

These risks could be reduced or eliminated if a new administration in Washington has a different interpretation of the CARES Act or if Congress provides additional pandemic relief.

### ***Uncertainty Related to Repeal of the Affordable Care Act***

As the largest provider of free medical services to the uninsured and underinsured in the State of Illinois, Cook County Health benefitted significantly from the Affordable Care Act (ACA), which expanded Medicaid health insurance coverage to nearly 94,000 health system patients (non-senior, non-disabled adults without dependents) who were previously treated free of charge

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<sup>6</sup> Cook County Health, *CCH Financial Update – August 31, 2020 FYTD*, October 2020, pp. 2-3; Statement by Interim Chief Business Officer Andrea Gibson, Cook County Health Finance Committee meeting, October 23, 2020.

and are now CountyCare members. The ACA Medicaid expansion resulted in a dramatic shift in the insurance status of Cook County Health's patients. Before the expansion, over half of the health system's patients were uninsured and generally did not pay for services. Since 2013 Cook County Health has served more insured patients than uninsured patients.

Court challenges to the ACA have raised the question of whether the entire law could be overturned, with the most recent argument being the issue of the mandate for individuals to purchase health insurance. Cook County Health officials have reported that if the ACA were overturned, nearly 300,000 individuals could lose Medicaid coverage, including members of CountyCare and other managed care plans. This could result in \$510 million in additional charity care costs for Cook County Health.<sup>7</sup> Individuals who lose private insurance coverage through the ACA marketplace could increase charity care costs by another \$100 million. While it appears unlikely that the U.S. Supreme Court will overturn the ACA in its entirety<sup>8</sup> through the case it is currently considering,<sup>9</sup> this issue must be watched closely because it is central to the health system's finances.

### ***Plans to Build a New Provident Hospital***

Provident Hospital has an important place in Chicago history. Established on the City's South Side by a prominent African American surgeon in 1891, the hospital was designed to be an institution that would welcome African Americans as patients and medical professionals.<sup>10</sup> Provident was the first African American-owned and operated hospital in the United States<sup>11</sup> and the site of the first open-heart surgery.<sup>12</sup> Provident also created the first nursing school for Black women. The hospital closed in 1987 due to financial problems, but it was subsequently acquired by Cook County and reopened in 1993 as part of the County's public health system.

In 2010, in line with a strategic decision to reorient the health system toward outpatient care, Provident was designated as a regional outpatient center with limited inpatient services.<sup>13</sup> The health system ended ambulance runs to Provident's emergency room, closed the obstetrics and intensive care units and reduced the number of staffed inpatient beds. Cook County Health's last strategic plan, covering 2017 through 2019, reaffirmed Provident's primary role as a regional outpatient center offering a wide range of services including surgery.<sup>14</sup>

Since then, the plans have changed. With virtually no public debate, the health system announced in August 2019 that it had applied to the State for permission to build a new \$240.9

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<sup>7</sup> Cook County Health, *CEO Report*, September 25, 2020, pp. 12-15, <https://cookcountyhealth.org/wp-content/uploads/Item-VII-Report-from-ICEO-09-25-20.pdf>.

<sup>8</sup> Nina Totenberg, "Supreme Court Appears Likely to Uphold Obamacare," *NPR*, November 10, 2020.

<sup>9</sup> *California v. Texas*, \_\_\_ U. S. \_\_\_ (20\_\_)

<sup>10</sup> Paul A. Buelow, "Provident Hospital," *Encyclopedia of Chicago*, <http://www.encyclopedia.chicagohistory.org/pages/1017.html>.

<sup>11</sup> National Institutes of Health, U.S. National Library of Medicine, *Opening Doors: Contemporary African American Surgeons*, <https://www.nlm.nih.gov/exhibition/aframsurgeons/history.html>.

<sup>12</sup> WTTW, *DuSable to Obama: Early Chicago-Provident Hospital*, <https://interactive.wttw.com/dusable-to-obama/provident-hospital>.

<sup>13</sup> Cook County Health and Hospitals System, *Vision 2015*, June 25, 2010, pp. 16, 19 and 24.

<sup>14</sup> Cook County Health and Hospitals System, *Impact 2020: CCHHS Strategic Plan 2017-2019*, July 2016, pp. 8 and 14.

million facility including both hospital beds and outpatient exam rooms.<sup>15</sup> The idea of constructing, at least in part, a new inpatient facility was not discussed at public meetings of the Cook County Health Board of Directors, including numerous meetings about the system's current strategic plan.<sup>16</sup> That plan, which runs through FY2022, has one paragraph about the new Provident facility.<sup>17</sup>

The new eight-story facility on the Provident campus would open in 2023 and replace the current hospital, which would be torn down. The new Provident would be about 22% smaller and have 42 medical/surgical beds. The existing hospital has 79 authorized beds, but has recently staffed only 16.<sup>18</sup> The new hospital would also have 70 outpatient exam rooms and offer diagnostic, dental, behavioral health and pharmacy services.

The staff of the Illinois Health Facilities and Services Review Board, which oversees hospital acquisitions, closures and modernizations, determined that 42 beds and certain other new services were not justified based on Provident's historical use.<sup>19</sup> The average number of beds used daily over the previous five years was 12.74, according to the staff report.<sup>20</sup> However, members of the Illinois Board approved the construction plan based on the health system's projection of 188% growth in inpatient usage from 2017 to 2025.<sup>21</sup>

These projections seem overly optimistic, particularly in light of CCH's FY2021 budget, which calls for reducing the staffing of inpatient beds and downgrading Provident's emergency room to a less heavily staffed standby facility, based on a study showing 85% of ER patients could be seen in an outpatient setting.<sup>22</sup> The intensive care unit, which was reopened in May 2019, shut early in the pandemic along with the emergency room and remains closed. Provident is less than one and a half miles from the University of Chicago Medical Center, which recently expanded its adult emergency department and opened an adult trauma center.

On the other hand, Provident has had notable success in attracting patents for services that do not involve hospital stays. Outpatient visits at Provident grew from 62,000 in 2016 to more than 127,000 in 2018 due to new ophthalmology and mammography services, among other initiatives.<sup>23</sup> Provident has plans to open a new dialysis center in 2020 and launch a colon cancer prevention program. Additionally, the FY2021 budget consolidates two of the system's South Side clinics into Provident's Sengstacke Health Center, which offers a broader array of services.

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<sup>15</sup> Cook County Health, Cook County Health Files State Application to Construct New Inpatient and Outpatient Facility on the Provident Hospital Campus," *news release*, August 12, 2019.

<sup>16</sup> Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019.

<sup>17</sup> Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15.

<sup>18</sup> Statement by Interim Cook County Health CEO Debra Carey at Cook County Health Board meeting, September 11, 2020.

<sup>19</sup> Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, p.3.

<sup>20</sup> Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, pp. 15-16.

<sup>21</sup> Illinois Health Facilities and Services Review Board, *State Board Staff Report, Project No. 19-037*, October 8, 2019, p. 6.

<sup>22</sup> Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Board meeting, August 28, 2020.

<sup>23</sup> Cook County Health, *FY21 Proposed Preliminary Budget*, p. 4.



At a time when Cook County Health is struggling to meet its expenses, the Civic Federation is concerned that the plan for new hospital beds at Provident may not meet the long-term needs of the health system and the County. The Federation is also concerned about the lack of opportunity for public debate about such an important project.

### **Civic Federation Recommendations**

The Civic Federation offers the following **recommendations** to improve Cook County's financial stability, transparency and efficiency.

#### ***Create a Regional Healthcare Planning Commission***

Although COVID-19 may be a once-in-a-century crisis, the pandemic has focused attention on health disparities based on race. The virus has had a disproportionate impact on people of color, raising questions about how much that result is driven by differences in access to healthcare.<sup>24</sup>

The issue is of critical importance to Cook County Health, which provides over half of the charity care delivered by hospitals in the County. President Preckwinkle has long argued that private hospitals that mainly serve insured patients should take on a larger share of the cost.<sup>25</sup> The health system's incoming CEO has said he wants to leverage the strength of private hospitals to address the issue.<sup>26</sup>

Additionally, the planned closing of Mercy Hospital, announced in July 2020, is expected to put pressure on other safety-net hospitals.<sup>27</sup> Mercy had hoped to merge with three other struggling hospitals and build new, more appealing facilities, but the Illinois General Assembly in May did not agree to provide funding for the plan from the State's hospital assessment program. It is unclear how Mercy's closure in 2021 might affect patient activity at Provident Hospital, which is set to reduce inpatient and emergency room staffing under the County's FY2021 budget.

Prompted by Mercy's announcement, the Health & Medicine Policy Research Group has been discussing the need for regional healthcare planning with government officials, civic leaders and healthcare experts.<sup>28</sup> Similarly, CCH's Board requested the addition of \$1 million to the FY2021 budget to evaluate regional health service delivery and charity care strategy.<sup>29</sup>

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<sup>24</sup> Cook County Health, *CEO Report*, April 30, 2020, pp. 32 and 47, <https://cookcountyhealth.org/wp-content/uploads/Item-VII-COVID-19-Board-Update-04-30-20.pdf>.

<sup>25</sup> Stephanie Goldberg, "Meet the CEO who'll run Cook County Health," *Crain's Chicago Business*, October 22, 2020.

<sup>26</sup> Alice Yin, "New York hospital executive officially appointed as next Cook County Health leader, vows to be 'fiscally, financially resilient,'" *Chicago Tribune*, October 22, 2020.

<sup>27</sup> Kristen Schorsch, "Mercy Hospital, A Historic Near South Side Medical Center, Plans to Close After Merger Plan Fails," *WBEZ*, July 29, 2020.

<sup>28</sup> Communication between the Civic Federation and the Health & Medicine Policy Research Group, November 16, 2020.

<sup>29</sup> Cook County Health, FY2021 Proposed Budget Amendment, <https://cookcountyhealth.org/wp-content/uploads/CCH-Budget-Amendment-09-21-20.pdf>.

The Civic Federation supports these efforts and calls on the Cook County Board to create a commission to study healthcare needs in the region, with a focus on Chicago’s West and South Sides and the south suburbs. The commission should include representatives of the State, County and City of Chicago, public and private healthcare providers, labor organizations and academic experts.

### ***Reconsider the Provident Hospital Project***

After originally designating Provident Hospital as the site for a new regional outpatient center, Cook County Health announced plans in 2019 to build a new, \$240.9 million facility with both outpatient and inpatient services. Health system officials recently reaffirmed their commitment to building the new facility, despite plans in the FY2021 budget to reduce the staffing of Provident’s hospital beds based on low inpatient volumes and downgrade the emergency room to reflect the relatively low level medical needs of most of its patients.<sup>30</sup>

The project had been put on hold early this year while CCH conducted a national search for a new CEO.<sup>31</sup> When the health system’s budget was first unveiled, officials said the plan was still awaiting review by the new leader, who is not expected to take over until December.<sup>32</sup> Public messaging changed after news of the planned FY2021 budget cutbacks triggered concerns among elected officials and their constituents about Provident’s future.

The Civic Federation continues to urge the County to reconsider its plans for a new hospital. Despite approval for the project by the State, the County has not made an adequate public case for the need for more hospital beds. Cook County Health’s main argument for the new facility is that it will divert patients from Stroger Hospital. However, officials have previously said that Stroger needs more patients—particularly members of the CountyCare Medicaid managed care plan—to cover its high fixed costs.

The Civic Federation supports the construction of a new facility for outpatient services, an area where Provident’ ability to attract patients has been well demonstrated. Provident’s proud legacy would be better served by using limited County resources to build a comprehensive outpatient center.

### ***The Independent Revenue Forecasting Commission or a Similar Third Party Should Conduct a Review of Cook County Health Revenue Forecasts***

As described above, the Independent Revenue Forecasting Commission is charged with reviewing the County’s revenue forecasts, and so far, the greatest emphasis has been on home rule taxes that support the County’s General Fund. These include many economically sensitive revenue sources such as the sales tax, hotel tax, amusement tax, cigarette tax and gas tax. The Commission has, however, clarified that its scope covers all of the County’s revenue sources,

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<sup>30</sup> Statement by Cook County Health Interim CEO Debra Carey at Cook County Finance Committee meeting, November 4, 2020.

<sup>31</sup> Kristen Schorsch, “Facing Uncertainty, Cook County Pauses Plans for New Provident Hospital,” *WBEZ*, February 3, 2020.

<sup>32</sup> Cook County Health Stakeholders Budget Briefing, August 26, 2020.

including revenue within Cook County Health and fee and license revenue across all County offices.

Cook County Health is a massive operation, made even more complex by the nature of a government entity serving as an insurance company. The health system is projecting that its budget will total \$3.39 billion in FY2020, which is approximately half of Cook County's entire budget. The magnitude and complexity of the health system's operations justify additional review of revenue forecasts by an independent third party to ensure that revenues forecasted are accurate and sufficient to cover projected expenses.

The Civic Federation recommends that the Independent Revenue Forecasting Commission incorporate the Cook County health system's revenues into its forecasting review work. Due to the specific nature of healthcare revenues, this may require adding members with the appropriate expertise or creating a separate body to oversee CountyCare forecasting.

### ***Livestream Cook County Health Board and Committee Meetings***

The Civic Federation recommends that Cook County Health livestream all of its Board of Directors and committee meetings and post recordings of these meetings online for public access after the fact. The health system has been livestreaming all meetings of its Board of Directors on Facebook since April. The meetings have been held remotely on Microsoft Teams and broadcast to the public on Facebook Live.

The Civic Federation and League of Women Voters submitted a joint letter to the Cook County Health Board of Directors with this request on October 15 and testified in support of this recommendation at the health system Board of Directors meeting on October 30. The organizations noted that transparency and public access are essential to maintaining and increasing public confidence in the health system.

Cook County Board of Commissioners and committee meetings are already livestreamed on the County's website and on Legistar, the County's online repository for meeting and legislative information. The videos are then archived on Legistar. Other Chicago governments also livestream and archive meeting videos online, including the City of Chicago, Chicago Public Schools, the Chicago Transit Authority and the Metropolitan Water Reclamation District.

After the health system resumes in-person meetings, Cook County Health should continue livestreaming its meetings on the platform of the health system's choosing. Existing video conferencing equipment in the conference room where Board and Committee meetings are held on the Stroger campus are already in place. These meetings should then be archived for the public online.

### ***Move Forward on Holding Meetings on the Sheriff's Office and other Criminal Justice System Operations***

Public Safety spending accounts for 68% of the General Fund and 21% of the entire County budget. The Cook County Sheriff's budget is the largest portion of public safety spending and covers a range of services including operation of the jail, courthouse security, policing and

electronic monitoring. A resolution was introduced at the July 30 Board of Commissioners meeting requesting that the Criminal Justice Committee hold monthly meetings about the Sheriff's jail and policing operations.<sup>33</sup> The resolution has not moved forward since its introduction in July. Given the size of the Sheriff's budget and the many services and programs overseen by the Sheriff, the office deserves special examination. The significant increase in criminal defendants ordered to electronic monitoring under the Sheriff's supervision during the coronavirus pandemic and the Sheriff's decision to move from radio frequency to GPS monitoring are recent examples of issues that deserve public discussion. It is important that these meetings be held in a public forum so that questions about the large and complex criminal justice system operations and programs can be made available to taxpayers, criminal justice stakeholders and other interested members of the general public. The Federation recommends that the Criminal Justice Committee of the Board of Commissioners pass the resolution and follow through on holding these monthly meetings with the Sheriff's Office.

In addition, the Board intends to hold a meeting for the criminal justice stakeholder agencies to discuss length of stay, or the time it takes for a case to reach trial or a conclusion in a criminal court case. This issue was raised at departmental FY2021 budget hearings because there are some criminal cases in Cook County that have lasted many years, in a few extreme cases reaching eight to ten years. At a departmental budget hearing on November 6, the Chief Judge said the length of stay for 85% of defendants is two years or less. The Sheriff, at his own departmental budget hearing on November 5, said the County could save \$5 million per year if all detainees' length of stay in jail were reduced by a month. These cost and efficiency issues related to the jail and court operations need to be examined more closely and should be discussed in a public forum. A resolution calling for the Criminal Justice Committee to hold a hearing on length of stay and its impact on the jail population was introduced at the November 19 Board of Commissioners meeting.<sup>34</sup> The Federation supports the Board of Commissioners holding a public hearing on length of stay.

### ***Clarify Year-End Estimates in Budget Book***

In some instances in Volume 1 of the budget, it is unclear whether estimates for the current fiscal year (FY2020 ending November 30, 2020) are year-to-date numbers, projections based on the mid-year preliminary forecast, or year-end projections that include adjustments following the release of the preliminary forecast. This was especially confusing this year because of the significant changes in revenues due to losses from the economic impact of COVID-19 and additional revenue the County received from the CARES Act for which it did not originally budget. For example, the appropriations and expenditures in the budget summary tables<sup>35</sup> include footnotes indicating that FY2020 expenditures are as of October 11, 2020 and therefore are not year-end projections; whereas the revenues and expenditures shown in the long-term financial forecast and Revenues by Source table appear to be year-end projections.<sup>36</sup> However, Cook County Health revenues and expenditures in the long-term financial forecast table do not match the projections included in the mid-year preliminary forecast. CARES Act funding for Cook

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<sup>33</sup> Cook County Board Item 20-3482.

<sup>34</sup> Cook County Board Item 20-5479.

<sup>35</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, beginning on p. 86.

<sup>36</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 29-30 and 50-51.

County Health is only included in the long-term forecast table but not the Revenues by Source table. The Civic Federation recommends that the budget office add footnotes that provide more clarification about current year figures.

### ***Reclassify Health Fund Revenue Sources in Budget Book to Align with Operations***

Cook County Health has two major activities: its CountyCare Medicaid managed care plan and its hospitals and clinics that provide medical services. When the health system discusses its financial results, its operations are divided down along those lines.<sup>37</sup> However, a major table in the County’s budget book mixes its revenue sources so the two sides of the system cannot be distinguished.<sup>38</sup> This problem also arose in the County’s preliminary budget in June 2020.<sup>39</sup> The Civic Federation recommends that the County budget report Health Fund revenues throughout the budget book and budget forecast in a way that allows readers to understand the main components of the health system’s activities.

### ***Obtain Statutory Authority for Supplemental Pension Contributions***

The pension contribution Cook County is required to make to its pension fund by state law—1.54 times the employee contribution made two years prior—is only about one third of the actuarially calculated contribution. The supplemental pension contribution the County has been making since FY2016 has put the Cook County Pension Fund on a path to reach 100% funded by 2047, whereas if the County were to only make the statutory contributions, the pension fund would run out of money by 2043.<sup>40</sup>

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 make pension contributions funded outside of 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 but was not enacted.<sup>41</sup>

In the absence of a change to State statute, the County is providing the funding to the pension fund via an intergovernmental agreement. The President’s Office and pension fund officials have said they are continuing to work on a strategy to seek a long-term statutory solution to pension funding. The Civic Federation urges the County and the pension fund to work together with the General Assembly and the Governor on legislation to codify the actuarially calculated pension contributions.

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<sup>37</sup> Cook County Health, *CCH Financial Update – August 31, 2020 YTD*, October 2020.

<sup>38</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 49.

<sup>39</sup> Cook County 2021 Preliminary Forecast, June 26, 2020, p.27.

<sup>40</sup> Cook County Pension Committee Meeting, July 28, 2020.

<sup>41</sup> Two bills, Senate Bill 1300 and House Bill 2903 were introduced in 2019 during the 101<sup>st</sup> General Assembly but neither passed.

### ***Enact Multi-Year Intergovernmental Agreement with the Pension Fund for Supplemental Contributions in the Absence of State Legislation***

At a Cook County Pension Committee meeting held on September 26, 2018, representatives of the pension fund said that if the fund were able to count on a longer-term funding commitment, the pension fund could 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 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. In the absence of a statutory change in State law to allow the County to make actuarially calculated contributions to the pension fund, the Civic Federation recommends that the County implement a multi-year intergovernmental agreement with the pension fund for several years of supplemental payments.

### ***Provide Pension Funding Support to the Cook County Forest Preserve District***

While Cook County's pension funding is on a plan to reach full funding by 2047, the pension fund of Cook County's sister agency, the Cook County Forest Preserve District, is projected to run out of money by 2040 based on current statutorily required funding levels. The statutory payment to the Forest Preserve District pension fund—1.3 times employee contributions made two years prior—in FY2021 is \$3.9 million. The fund would need an additional contribution of \$9.6 million per year to adequately fund future pension obligations.<sup>42</sup> The Forest Preserve District is funded primarily by property tax revenue. The District, unlike Cook County, is not a home rule government, and therefore is limited in the types of tax revenue it can raise.

The Civic Federation believes that Cook County shares partial responsibility for the Forest Preserves' pension funding crisis because the County acts as the Forest Preserve District's main negotiator in collective bargaining negotiations and thus contributes to the District's rising personnel and therefore pension costs. The two governments also share oversight from the same Board of Commissioners.

At a July 28 Cook County Pension Committee meeting several ideas to address the Forest Preserves' pension funding with the were raised, including consolidating the Cook County and Forest Preserve District pension funds or incorporating the Forest Preserve District into the intergovernmental agreement Cook County has with the Cook County Pension Fund. Cook County could share a portion of its sales tax revenue used to fund its own pensions with the Forest Preserve District. The Civic Federation recommends that the Board of Commissioners and Pension Committee continue to work toward a solution to this issue.

### ***The New Clerk of the Circuit Court Should Improve Transparency, Efficiency and Accountability of the Circuit Court Clerk's Office***

In a report released in September 2020, the Civic Federation, Chicago Appleseed and the Chicago Council of Lawyers identified a series of recommendations for the Office of the Clerk of the Circuit Court, which will see a transition to new leadership in December. The report, *New Directions for the Office of the Clerk of the Cook County Circuit Court: Recommendations for*

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<sup>42</sup> Cook County Forest Preserve District FY2021 Executive Budget Recommendation, p. 9.

*Planning and Transitioning to New Leadership*,<sup>43</sup> calls for the new Clerk to make significant improvements in efficiency, transparency, technology and operations. The Civic Federation calls on the Clerk of the Circuit Court to implement the recommendations in the report including the following budget-related recommendations:

- **Conduct a complete office audit** that examines all programs, functions, staffing levels, operations and expenditures and workforce and training needs. While the Clerk’s Office has implemented new systems for e-filing and case management in recent years, it is unclear how much these systems have helped streamline processes and reduce the need for personnel that could be redeployed in more useful areas. Conducting an audit immediately upon entering office is a critical first step to identifying wasteful or unnecessary spending, and reallocating resources to fund new and needed positions. The purpose of the audit would be to assess the efficiency of current operations and staffing levels and identify areas where restructuring is needed and savings can be accomplished.
- **Reassess and restructure staffing levels** based on the findings of the office-wide audit.
- **Revise annual performance metrics** to better track operational efficiency of the Clerk’s Office. Include clear definitions of the metrics including the time period in which they are measured.
- **Post annual financial statements** on the Clerk of the Circuit Court website.
- **Conduct a review of the Circuit Court Clerk’s four special purpose funds** and release a straightforward narrative report that explains the revenue collected within those funds and how the funds are used.
- **Release an annual report** with budget data and statistical court data, as well as a plain-English summary narrative that includes at least the following:
  - A summary of revenue generated, including breakdowns of fees, fines and other sources of revenue;
  - A summary of total funds collected by the Clerk and how those funds are used and dispersed across agencies;
  - A summary of the Office’s performance measures and a description of how those measures will be used to improve efficiency; and
  - Case volumes in the Cook County Circuit Court such as the number of case filings, cases pending and case dispositions, and the length of time taken to reach a disposition across all case types.

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<sup>43</sup> The report is available at <https://www.civiefed.org/CircuitCourtClerk2020>.

### **ACKNOWLEDGEMENTS**

The Civic Federation would like to express our sincere thanks and appreciation to Cook County Chief Financial Officer Ammar Rizki, Budget Director Annette Guzman, and Cook County Health Interim Chief Business Officer Andrea Gibson for providing us with briefings on the budget and providing answers to our questions.



## **FY2021 BUDGET DEFICIT & GAP-CLOSING MEASURES**

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 County's FY2021 Preliminary Forecast anticipated a budget deficit of \$222.2 million in the General Fund and \$187.0 million in the Health Fund, for a total deficit of \$409.2 million.

As of last year, the County had reduced its preliminary budget gap to \$18.7 million, the smallest budget deficit since Cook County Board President Preckwinkle took office in 2011, when the budget deficit was \$487.0 million. However, the economic impact of COVID-19 caused significant revenue losses during FY2020 and continuing into FY2021. The FY2021 deficit in the General Fund of \$222.2 million is due primarily to losses in economically sensitive revenue sources. The \$187.0 million Health Fund deficit is partly due to pandemic-related declines in patient visits but mainly reflects longstanding financial pressures related to covering managed care and uncompensated care.

The County closes the annual projected budget deficits through a combination of savings, management efficiencies and revenue increases. The table below explains how the County plans to close the deficits in the General Fund and Health Fund for FY2021.

The County plans to close the General Fund deficit by:

- Eliminating 659 vacant full-time equivalent positions to save \$67.7 million;
- Utilizing a one-time transfer of \$76.8 million from General Fund reserves;
- Using \$50 million of coronavirus relief funding within the first month of the County's fiscal year before the December 31 deadline; and
- \$27.7 million in higher than previously anticipated revenue, consisting of tax increment financing (TIF) revenue and sales tax revenue.

Cook County Health plans to close the Health Fund gap through the following measures:

- Expenditure reductions of \$55.0 million. This includes a number of different non-personnel measures to achieve savings, as well as \$10.0 million in personnel savings from layoffs of 130 non-union positions;
- \$35.0 million in domestic spending (medical services that CountyCare members receive within the health system);
- An additional tax allocation from the County of \$30.0 million;<sup>44</sup>
- A rate increase of \$26.0 million in patient fees;
- An increase of \$21.0 million in directed payments from the State of Illinois;
- \$10 million in revenue from newly eligible Medicaid patients who are undocumented residents age 65 and older; and
- An additional \$10 million due to revenue cycle improvement initiatives.

<b>FY2021 Budget Deficit-Closing Measures (in \$ millions)</b>	
<b>General Fund</b>	
Expenditure Reductions (Elimination of 659 vacant positions)	\$ 67.7
Use of Fund Balance	\$ 76.8
Coronavirus Relief Funding	\$ 50.0
Additional Revenue (Tax Increment Financing and Sales Tax)	\$ 27.7
<b>Total General Fund</b>	<b>\$ 222.2</b>
<b>Health Fund</b>	
Expenditure Reductions	\$ 55.0
Domestic Spend	\$ 35.0
Additional Tax Allocation	\$ 30.0
Rate Increase	\$ 26.0
Directed Payments	\$ 21.0
New Medicaid Patients	\$ 10.0
Revenue Cycle Improvements	\$ 10.0
<b>Total Health Fund</b>	<b>\$ 187.0</b>
<b>Total Deficit Closed</b>	<b>\$ 409.2</b>

Source: Cook County FY2021 Budget Briefing, October 15, 2020.

<sup>44</sup> The total tax allocation to Cook County Health will increase by \$40 million in FY2021 to \$122.7 million, compared to \$82.7 million in FY2020. This is \$10 million higher than a preliminary proposal of \$30 million to accommodate a request by the Cook County Health Board to fund additional services and seven additional positions in the Department of Public Health.

## APPROPRIATIONS

This chapter describes Cook County’s total proposed appropriations for FY2021, including appropriations trends for all funds by fund, operating funds by object and all funds by control officer. FY2021 proposed appropriations are compared to FY2017-FY2020 adopted and actuals when available. Therefore, this section does not account for the changes to spending in FY2020 due to the COVID-19 pandemic.

Cook County’s operating budget consists of the following funds:

- The General Fund, which 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, which is used to operate Cook County Health;
- Special Purpose Funds, which have defined sources of revenue that are restricted for particular uses only. 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) and the COVID-19 CARES Act Fund; and
- Restricted Funds, or Grants.

FY2021 Total Operating Funds				
General Fund		Health (Enterprise) Fund	Special Purpose Funds	Restricted Funds (Grants)
Corporate Fund	Public Safety Fund			

In addition to the operating funds, Cook County also maintains a Capital Fund to account for expenditures related to capital improvements.

### All Funds Appropriations by Fund

The following table shows Cook County appropriations for all funds by fund for FY2017-FY2021. Cook County total FY2021 appropriations, including the operating budget and capital improvement funds, will amount to \$6.9 billion. This is an increase of \$717.4 million, or 11.6%, from the FY2020 adopted budget of \$6.2 billion.

The Cook County operating budget, which does not include capital spending, totals \$6.6 billion in FY2021. This is an increase of \$736.7 million, or 12.6%, from the FY2020 adopted budget of \$5.9 billion.

As noted above, the General Fund is composed of the Corporate Fund and Public Safety Fund. Between FY2020 and FY2021, appropriations for the General Fund will decrease by \$24.7 million, or 1.3%, from the adopted budget to \$1.9 billion. The decrease in the General Fund is primarily due to the elimination of 659 full-time equivalent positions in the FY2021 proposed

budget.<sup>45</sup> The General Fund includes a FY2021 supplemental pension contribution of \$342.0 million that will be transferred to the Annuity and Benefit Fund.<sup>46</sup> The County will have contributed nearly \$1.68 billion in supplemental pension contributions since 2016.<sup>47</sup>

Health Fund appropriations are projected to increase by \$563.4 million, or 19.9%, between FY2020 and FY2021. The increase is primarily due to a \$398.6 million increase in managed care claims related to growth in CountyCare membership.<sup>48</sup> For more information on the Health Fund see p. 57 of this report.

Special Purpose Funds are used to account for proceeds from earmarked revenue sources and expenditures for specified or restricted purposes. Under Special Purpose Funds, appropriations for the Bond and Interest Fund will increase by \$2.0 million, or 0.8%, over the two-year period. The Annuity and Benefit Fund, which is used to pay statutory payments to the pension fund, is projected to increase by roughly \$940,000 or 0.5%. As previously noted, the County proposes to provide an additional \$342.0 million in funding to the Annuity and Benefit fund, for a total contribution of \$543.9 million in FY2021. The Election Fund, which is included in the Agency Special Purpose Funds, is projected to decrease by \$21.9 million, from \$51.7 million in FY2020 to \$29.8 million in FY2021. The Election Fund fluctuates each year depending on the type of elections being held that year. COVID-19 CARES Act funding is budgeted at \$50 million in FY2021. This is an increase of \$50 million from the originally adopted FY2020 budget. However, it is important to note that the FY2020 budget was adopted pre-pandemic. In FY2020 the County received a total of \$429 million in federal coronavirus relief funding through the CARES Act. Grant funds will increase by \$89.7 million, or 34.9%, in FY2021 from the prior year due to new grants received by the County to address the coronavirus public health crisis.<sup>49</sup> Appropriations for Capital Improvements in FY2021 will decrease by \$19.3 million, or 5.2%, below FY2020 adopted appropriations of \$370.0 million.

Over the five-year period beginning FY2017 the County's operating budget will rise by \$2.2 billion, or 51.7%, from \$4.3 billion in FY2017 to \$6.6 billion in FY2021. This is due in large part to increased expenditures in the Health Fund due to the expansion of health services through CountyCare.

Total Special Purpose Funds appropriations will increase by \$257.3 million, or 37.8%, over the five-year period from \$680.4 million in FY2017 to \$937.7 million in FY2021. Agency Special Purpose Funds, which are restricted funds allocated to agencies across the County for specific purposes will see the largest dollar and percentage increase at \$228.8 million, or 117.3%, rising from \$195.1 million in FY2017 to \$423.9 million proposed for FY2021. Bond and Interest expenditures will decline by \$15.2 million, or 5.5%, over the five-year period. Appropriations for Annuity and Benefits will decline by \$6.3 million, or 3.0%, over the five-year period. The decrease is due to the statutorily calculated pension funding requirements.<sup>50</sup> However, it is

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<sup>45</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 4.

<sup>46</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 5.

<sup>47</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 73.

<sup>48</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 4.

<sup>49</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 58.

<sup>50</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 54.

important to note that the increase in funding over the five-year period in the Special Purpose Funds does not account for CARES Act funding received in FY2020 since the budget for FY2020 was first approved pre-pandemic.

Restricted Funds (Grants) will increase by 34.2%, or \$88.3 million between FY2017 and FY2021. Grants as a percentage of total proposed appropriations will total \$346.3 million, or 5.0%, of the total budget in FY2021, decreasing from 5.5% of total appropriations across all funds in FY2017. It is important to note that the FY2020 adopted budget figures presented in the table below do not take into account the CARES Act funding and other grant funding received related to COVID-19 in FY2020.

Capital Improvements appropriations will increase from \$325.2 million in FY2017 to \$350.7 million in FY2021. This is an increase of \$25.4 million or 7.8%. However, given the nature of capital spending in which the total amount that will be spent over time for projects is appropriated in year one and then the remainder is reappropriated until projects are completed, much more is appropriated each year for capital expenditures than is actually spent.

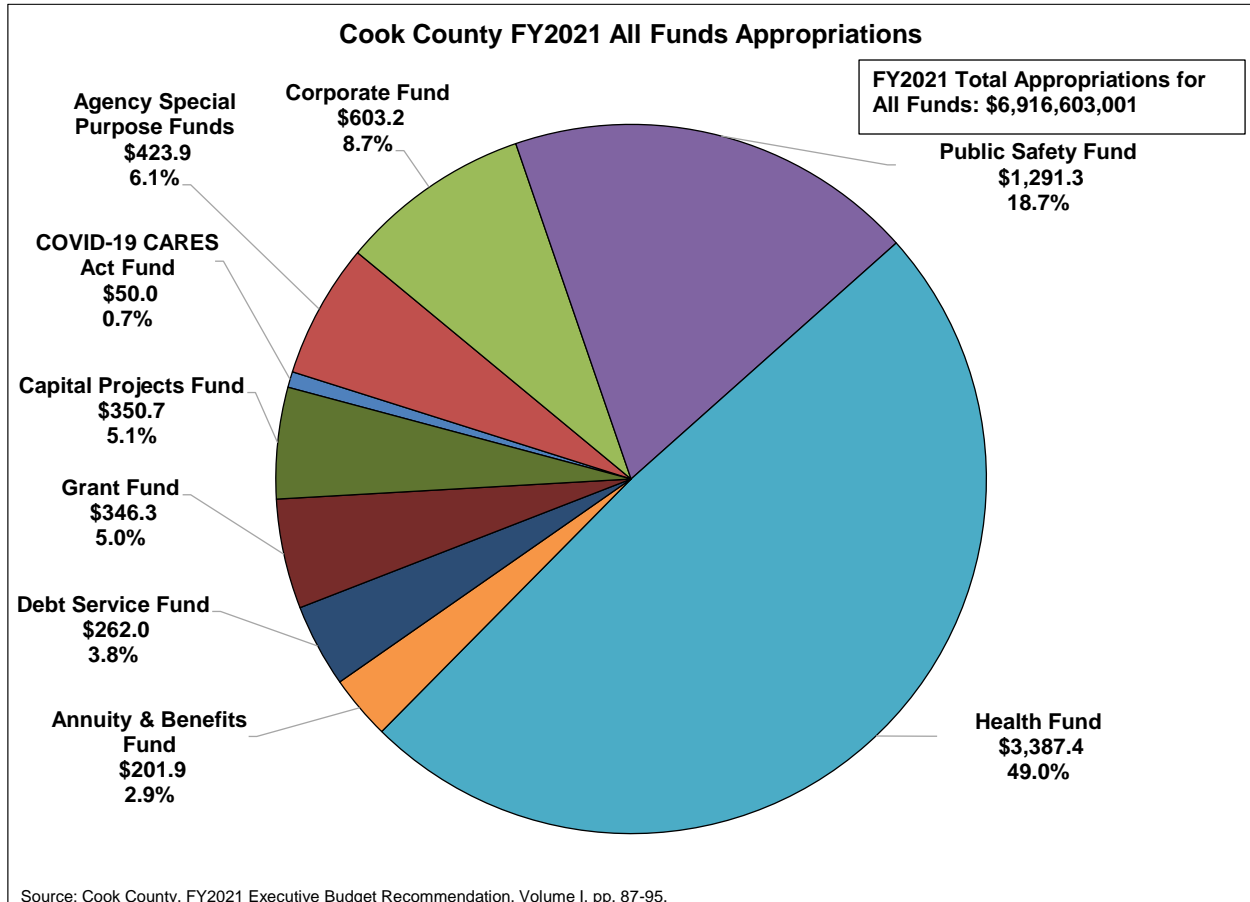
Cook County Appropriations All Funds by Fund: FY2017-FY2021 (in \$ millions)									
Fund	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Adopted	FY2021 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Corporate	\$ 523.1	\$ 528.6	\$ 537.8	\$ 582.1	\$ 603.2	\$ 21.1	3.6%	\$ 80.1	15.3%
Public Safety	\$ 1,295.9	\$ 1,246.0	\$ 1,248.8	\$ 1,337.1	\$ 1,291.3	\$ (45.8)	-3.4%	\$ (4.5)	-0.4%
<b>Subtotal General Fund</b>	<b>\$ 1,819.0</b>	<b>\$ 1,774.6</b>	<b>\$ 1,786.6</b>	<b>\$ 1,919.3</b>	<b>\$ 1,894.6</b>	<b>\$ (24.7)</b>	<b>-1.3%</b>	<b>\$ 75.6</b>	<b>4.2%</b>
Health	\$ 1,571.4	\$ 2,620.6	\$ 3,029.2	\$ 2,824.0	\$ 3,387.4	\$ 563.4	19.9%	\$ 1,816.0	115.6%
<b>Subtotal General &amp; Health Funds</b>	<b>\$ 3,390.4</b>	<b>\$ 4,395.2</b>	<b>\$ 4,815.9</b>	<b>\$ 4,743.3</b>	<b>\$ 5,282.0</b>	<b>\$ 538.7</b>	<b>11.4%</b>	<b>\$ 1,891.6</b>	<b>55.8%</b>
Annuity & Benefits	\$ 208.2	\$ 211.4	\$ 209.5	\$ 200.9	\$ 201.9	\$ 0.9	0.5%	\$ (6.3)	-3.0%
Bond & Interest	\$ 277.1	\$ 280.4	\$ 259.9	\$ 259.9	\$ 262.0	\$ 2.0	0.8%	\$ (15.2)	-5.5%
COVID-19 CARES Act Fund	\$ -	\$ -	\$ -	\$ -	\$ 50.0	\$ 50.0	-	\$ 50.0	-
Agency Special Purpose Funds	\$ 195.1	\$ 213.5	\$ 193.7	\$ 368.5	\$ 423.9	\$ 55.4	15.0%	\$ 228.8	117.3%
<b>Subtotal Special Purpose and Election Funds</b>	<b>\$ 680.4</b>	<b>\$ 705.3</b>	<b>\$ 663.1</b>	<b>\$ 829.4</b>	<b>\$ 937.7</b>	<b>\$ 108.3</b>	<b>13.1%</b>	<b>\$ 257.3</b>	<b>37.8%</b>
Restricted Funds (Grants)	\$ 257.9	\$ 224.7	\$ 248.8	\$ 256.6	\$ 346.3	\$ 89.7	34.9%	\$ 88.3	34.2%
<b>Subtotal Operating Funds</b>	<b>\$ 4,328.8</b>	<b>\$ 5,325.2</b>	<b>\$ 5,727.8</b>	<b>\$ 5,829.3</b>	<b>\$ 6,565.9</b>	<b>\$ 736.7</b>	<b>12.6%</b>	<b>\$ 2,237.2</b>	<b>51.7%</b>
Capital Improvements	\$ 325.2	\$ 152.4	\$ 137.5	\$ 370.0	\$ 350.7	\$ (19.3)	-5.2%	\$ 25.4	7.8%
<b>Total</b>	<b>\$ 4,654.0</b>	<b>\$ 5,477.7</b>	<b>\$ 5,865.3</b>	<b>\$ 6,199.2</b>	<b>\$ 6,916.6</b>	<b>\$ 717.4</b>	<b>11.6%</b>	<b>\$ 2,262.6</b>	<b>48.6%</b>

Note: FY2020 adopted budget figures included in this table do not include CARES Act and COVID-19 related funding since the FY2020 budget was adopted pre-pandemic.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 87-95.

The next chart shows FY2021 appropriations for all funds by fund. The all funds budget will total \$6.9 billion in FY2021. The Health Fund will make up \$3.4 billion, or 49.0%, of the budget. The Public Safety Fund represents the second largest portion of the budget at \$1.3 billion or 18.7%. Corporate Fund appropriations are proposed at \$603.2 million or 8.7%. The remaining appropriations for the Annuity and Benefits Fund, Debt Service Fund, Special Purpose Funds, Grant Fund and Capital Projects Fund will total \$1.6 billion, or 23.6% of the total budget. Cook County received \$429 million in federal coronavirus relief funding through the CARES Act in FY2020. This funding is required to be spent by the end of the 2020 calendar year. Because the County's fiscal year begins on December 1, 2020, the County has a period of one month before

the spending deadline to allocate COVID-19 funding during the 2021 fiscal year. The County plans to spend \$50.0 million of the CARES Act funding during FY2021.<sup>51</sup>



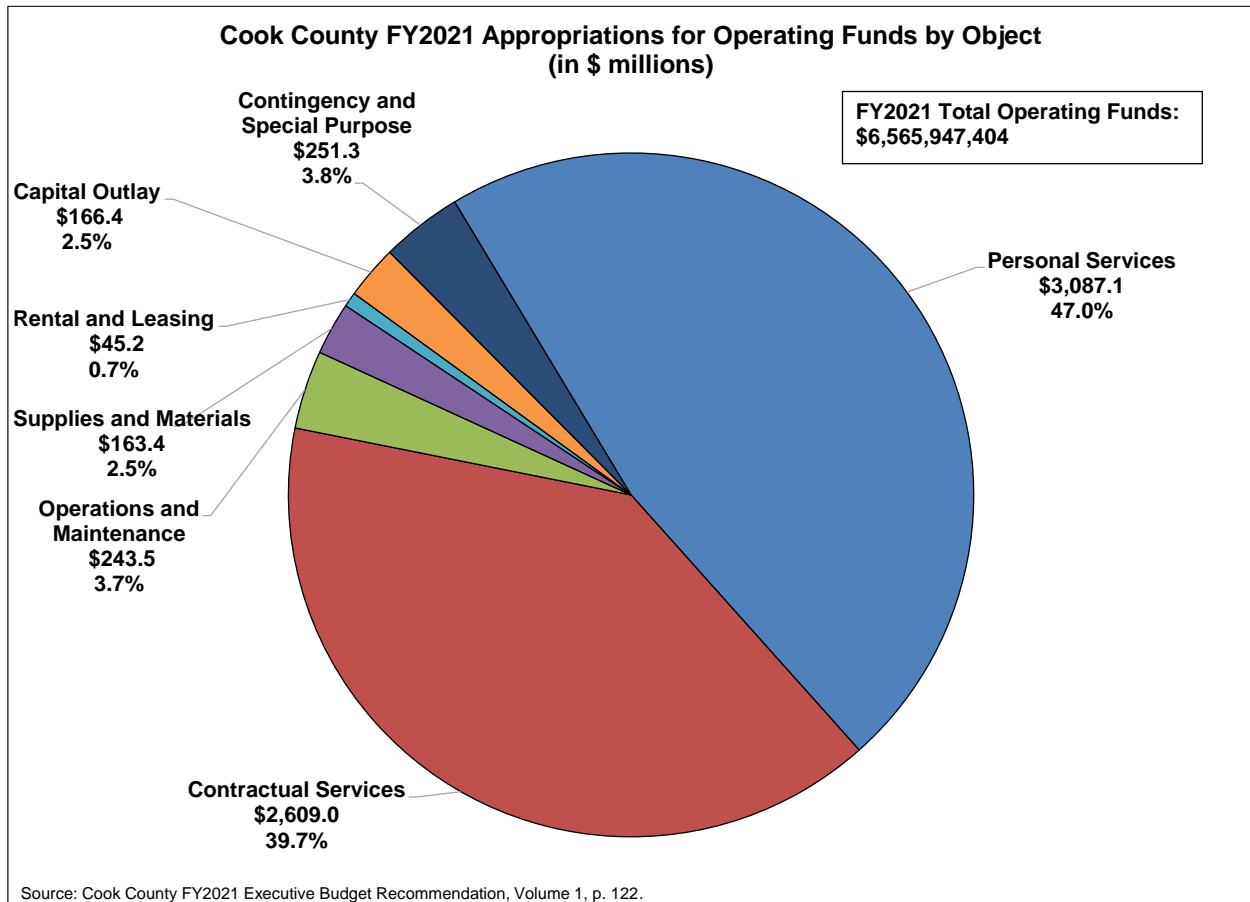
### Operating Funds Appropriations by Object

The next chart displays the proposed Cook County appropriations within the operating funds by object for FY2021. As previously noted, the operating budget is composed of the General Fund, which includes the Corporate and Public Safety Funds; the Health Fund; Special Purpose Funds; and Restricted Funds, or grants.

The operating funds appropriations will total approximately \$6.6 billion in FY2021. Personal services will compose the largest percentage of the FY2021 operating funds appropriations at 47.0% or \$3.1 billion. Personal services include salaries, wages and benefits. Appropriations to the Annuity and Benefit Fund will total \$513.9 million in FY2021. This includes the statutorily required contribution of \$201.9 million, plus a separate supplemental pension payment of \$312.0 million. The contractual services appropriation is the second largest portion of the FY2021 proposed operating funds at 39.7% or \$2.6 billion. Contractual services are purchased services such as printing, transportation, communications and other professional and technical services

<sup>51</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 57.

contracted through the County.<sup>52</sup> The remaining appropriations will each individually make up less than 5% of the total operating funds.



### All Funds Appropriations by Control Officer as a Percentage of Total Appropriations

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. Therefore, the Civic Federation examines expenditures by control officer.

The next table shows FY2021 appropriations by fund and control officer as a percent of total appropriations. The Federation has historically conducted a two- and five-year trend analysis for all funds by fund and control officer. However, beginning in FY2016 and continuing through FY2021 the County has shifted employee benefit costs, licensing and other technology related expenses into individual departmental budgets.<sup>53</sup> Therefore, a two- and five-year analysis is not comparable across years by control officer.

<sup>52</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 292.

<sup>53</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 72.

The General and Health Enterprise Funds budgets will collectively compose nearly \$5.3 billion, or 76.4% of the total budget. Of the \$5.3 billion, the General Fund will make up \$1.9 billion, or 27.4%, and the Health Fund will represent nearly \$3.4 billion, or 49.0% of the total budget. The General Fund budget for Offices Under the President will compose \$235.9 million, or 3.4%, of the total budget, while appropriations for all other elected and appointed officials of the County will represent nearly \$1.2 billion, or 16.5% of the total budget in FY2021. The proposed FY2021 appropriations for the Chief Judge and Sheriff compose the largest portion of the General Fund budget at \$258.2 million, or 3.7%, and \$573.2 million, or 8.3%, respectively, of the total budget.

Appropriations for Special Purpose Funds will compose \$937.7 million, or 13.6%, of the total budget in FY2021. The largest portion of the Special Purpose Funds is for the Department of Transportation and Highways at \$297.5 million, or 4.3%, of the total budget. The Annuity and Benefits and Bond and Interest appropriations total \$201.9 million, or 2.9% and \$262.0 million, or 3.8% of the total budget in FY2021, respectively. Appropriations from the special fund for CARES Act funding will total \$50.0 million, or 0.7%, of the total budget in FY2021. There are no appropriations to the Recorder of Deeds Office in the General Fund and Special Purpose Funds in FY2021 since the merger of the office with the Cook County Clerk's Office was completed in FY2020. CARES Act funding in FY2021 will total \$50.0 million, or 0.7% of the total budget. However, the County will have only one month before the spending deadline to allocate COVID-19 funding during the 2021 fiscal year due to restrictions tied to the funding.



**Cook County Appropriations for All Funds by Control Officer as % of Total Budget: FY2021  
(in \$ millions)**

Control Officers	FY2021 Proposed	% of Total Budget
<b>General Fund</b>		
<b>Offices Under President</b>		
President	\$ 4.6	0.1%
Chief Financial Officer	\$ 24.9	0.4%
Chief Information Officer	\$ 19.4	0.3%
Chief Administrative Officer	\$ 24.7	0.4%
Chief of Economic Development	\$ 10.1	0.1%
Chief of Human Resources	\$ 6.3	0.1%
Chief of Asset Management	\$ 62.4	0.9%
Public Defender	\$ 80.1	1.2%
Other Agency*	\$ 3.5	0.1%
<b>Subtotal Offices Under President</b>	<b>\$ 235.9</b>	<b>3.4%</b>
<b>Elected &amp; Appointed Officials</b>		
Cook County Board of Commissioners	\$ 8.6	0.1%
Assessor	\$ 28.1	0.4%
Board of Review	\$ 14.1	0.2%
Chief Judge	\$ 258.2	3.7%
Clerk of the Circuit Court	\$ 99.4	1.4%
County Clerk	\$ 18.8	0.3%
Recorder of Deeds	\$ -	0.0%
Sheriff	\$ 573.2	8.3%
State's Attorney	\$ 133.7	1.9%
Treasurer	\$ 0.8	0.0%
Inspector General	\$ 1.9	0.0%
Public Administrator	\$ 1.4	0.0%
<b>Subtotal Elected &amp; Appointed Officials</b>	<b>\$ 1,138.1</b>	<b>16.5%</b>
<b>Fixed Charges and Special Purpose</b>	<b>\$ 520.6</b>	<b>7.5%</b>
<b>Total General Fund</b>	<b>\$ 1,894.6</b>	<b>27.4%</b>
<b>Enterprise Health Fund</b>		
<b>Cook County Health and Hospitals System</b>	<b>\$ 3,387.4</b>	<b>49.0%</b>
<b>Total General &amp; Enterprise Funds</b>	<b>\$ 5,282.0</b>	<b>76.4%</b>
<b>Special Purpose Funds</b>		
<b>Offices Under President</b>		
Department of Transportation and Highways	\$ 297.5	4.3%
Chief Information Officer	\$ 9.3	0.1%
Other Agency*	\$ 19.8	0.3%
<b>Subtotal Offices Under the President</b>	<b>\$ 326.7</b>	<b>4.7%</b>
Cook County Health	\$ 7.0	0.1%
Assessor	\$ 3.1	0.0%
Board of Election Commissioners	\$ 1.2	0.0%
Chief Judge	\$ 2.0	0.0%
Clerk of the Circuit Court	\$ 18.8	0.3%
County Clerk	\$ 35.4	0.5%
Recorder of Deeds	\$ -	0.0%
Sheriff	\$ 3.6	0.1%
State's Attorney	\$ 3.1	0.0%
Cook County Land Bank Authority	\$ 10.2	0.1%
Treasurer	\$ 12.8	0.2%
CARES Act Fund	\$ 50.0	0.7%
Annuity and Benefits	\$ 201.9	2.9%
Bond and Interest	\$ 262.0	3.8%
<b>Total Special Purpose Funds</b>	<b>\$ 937.7</b>	<b>13.6%</b>
<b>Other Restricted Funds (Grants)</b>	<b>\$ 346.3</b>	<b>5.0%</b>
<b>Total Operating Funds</b>	<b>\$ 6,565.9</b>	<b>94.9%</b>
<b>Capital Improvements</b>	<b>\$ 350.7</b>	<b>5.1%</b>
<b>Total Budget</b>	<b>\$ 6,916.6</b>	<b>100.0%</b>

\*Includes Chief Administrative Officer, Public Defender, Administrative Hearing Board, County Auditor, County Law Library, Animal Control, Department of Human Rights and Ethics, Office of Economic Development and Department of Environment and Sustainability.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 102-109.

## RESOURCES

This chapter examines Cook County's total budget resources estimated for FY2021, resources over the past five years in the General Fund and Health Fund and the County's property tax levy. 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; and other sources such as prior year reserves.

Cook County received \$429 million in federal coronavirus relief funding through the CARES Act in FY2020. This funding is required to be spent by the end of the 2020 calendar year. Because the County's fiscal year begins on December 1, 2020, the County has a period of one month before the spending deadline to allocate COVID-19 funding during the 2021 fiscal year. The County plans to spend \$50.0 million of the CARES Act funding during FY2021.<sup>54</sup> The CARES Act funding received and spent during FY2020 is not included in this analysis of County resources because FY2020 budgeted figures are used rather than year-end figures.

### Proposed FY2021 Resources for All Funds

Cook County projects that total resources for all funds will be \$6.92 billion in FY2021, compared to \$6.18 billion in FY2020. The chart below provides the proposed distribution of all resources in FY2021.

Cook County Health fees account for nearly half of total revenue at \$3.25 billion. The sales tax is the second largest resource, accounting for 12.3% of resources, or \$830.2 million. Property tax revenue, which includes TIF surplus declared by the City of Chicago, will account for 11.8% of total resources at \$796.6 million. Other non-property taxes are expected to account for \$453.1 million in revenue, or 6.7%. Non-property tax sources include the Cook County use tax, State income tax and various consumer taxes such as the alcohol, cigarette, gas, gambling machine, motor vehicle, amusement and firearm and ammunition taxes. Fees collected by various County offices for services like vital records and permits will make up 3.3% of resources at \$221.3 million.

Debt proceeds will account for 5.2% of resources, or \$350.7 million. Intergovernmental revenue, which includes reimbursements to the County from the State of Illinois for probation-related salaries and the Cook County Forest Preserve District for administrative services, as well as indirect cost reimbursements, will total \$70.6 million or 1.0%. Miscellaneous and Other Sources are projected to make up 1.2% of resources, or \$79.5 million. Miscellaneous revenue includes property rental income from County buildings, the sale of excess real estate, commissions on public telephones, proceeds from unclaimed estates, investment income, miscellaneous health system revenues and other sources, such as parking fees and the sale of salvage.<sup>55</sup> Motor Fuel Tax revenue, which is accounted for separately from other taxes in a special fund for transportation-related capital projects, is projected to be \$275.7 million or 4.1%.

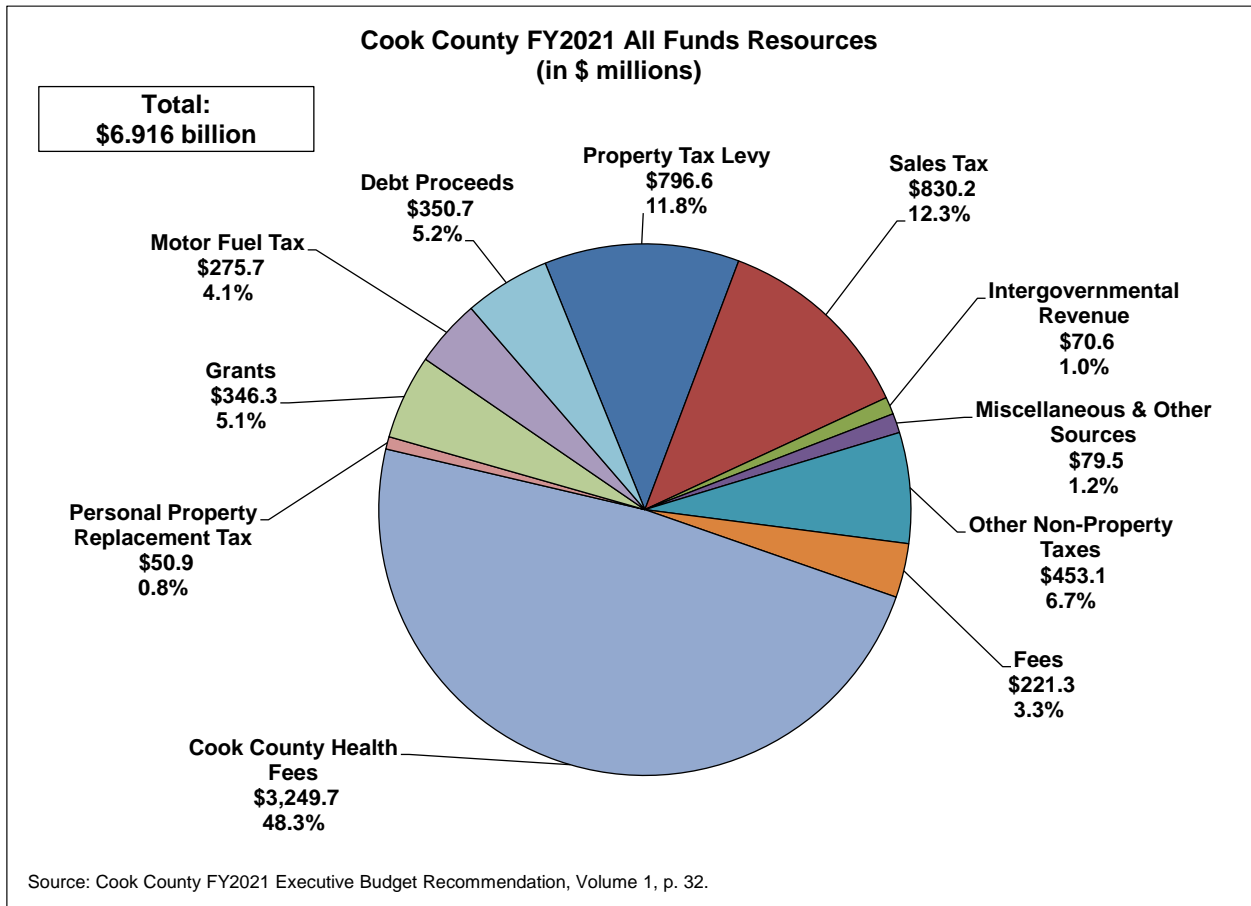
Grants are expected to bring in \$346.3 million, or 5.1% of total resources. This is an increase of \$89.7 million, or 34.9%, from the FY2020 budget. The increase is attributed to grants received

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<sup>54</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 57.

<sup>55</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 47.

by the County to address the coronavirus public health crisis. The \$89.7 million in COVID-19-related grants includes \$58.0 million from the FEMA Public Assistance Grant Program and \$20.6 million for contact tracing.



## **Year-End FY2020 General Fund Revenue Estimates**

The County's fiscal year does not end until November 30, so year-end estimates are typically not considered as part of the Civic Federation's budget analysis. However, The COVID-19 pandemic caused significant revenue shortfalls during FY2020 in some economically sensitive revenue categories that support the General Fund. Because of the unusual decline in many revenue sources, the FY2020 year-end estimates for the General Fund are discussed here. It should be noted that these year-end projections are subject to change. A discussion of FY2020 year-end revenues within the Health Fund can be found on p. 69.

Total General Fund revenue in FY2020 is projected to decline by \$300.6 million, or 15.6%, from budgeted levels. The year-end estimates for FY2020 show declines within the following sources compared to budget:

- Non-property taxes are expected to be \$258.0 million below budget, with the following sources making up the largest losses:
  - A \$110.0 million, or 13.0%, decline in sales tax revenue from \$849.1 million in budgeted in FY2020 to \$739.1 million anticipated at year-end;
  - \$33.5 million, or 84.3%, decline in amusement tax revenue from \$39.8 million budgeted to \$6.3 million anticipated year-end;
  - \$25.6 million, or 52.7%, decline in parking lot and garage operations tax revenue;
  - \$22.3 million, or 37.3%, decline in use tax revenue;
  - \$20.7 million, or 60.1% decline in hotel accommodations tax revenue from \$344 million budgeted to \$13.7 million anticipated year-end;
  - \$18.1 million, or 19.3%, decline in gas tax revenue;
  - \$12.3 million, or 11.5%, decline in cigarette and other tobacco tax revenue; and
- Fee revenue is expected to end the year \$27.2 million, or 13.5%, below budget due to declines in fee revenue from offices including the Clerk of the Circuit Court, Sheriff and other offices:
  - The Clerk of the Circuit Court's fee revenue is projected to be \$16.9 million below budget primarily due to court closures during the Illinois stay-at-home order; and
  - The Sheriff's fee revenue is projected to be \$7.0 million below budget due to a reduction in ticket citations due to the stay-at-home order and a moratorium on evictions due to COVID-19.

Property tax revenue allocated to the General is expected to remain on budget. Tax increment financing (TIF) surplus revenue is expected to be \$9.0 million higher than originally budgeted due to the City declaring a larger than expected TIF surplus.

The FY2020 year-end figures for the General Fund are shown in the following table.

<b>Cook County General Fund Resources</b>				
<b>FY2020 Budgeted &amp; FY2020 Projected Year-End (in \$ thousands)</b>				
	<b>FY2020 Adopted Budget</b>	<b>FY2020 Projected Year-End</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Property Taxes</b>				
Net Property Tax Levy	\$ 222,664.4	\$ 222,664.4	\$ -	0.0%
TIF Surplus	\$ 13,000.0	\$ 22,000.0	\$ 9,000.0	69.2%
<b>Subtotal Property Taxes</b>	<b>\$ 235,664.4</b>	<b>\$ 244,664.4</b>	<b>\$ 9,000.0</b>	<b>3.8%</b>
<b>Non-Property Taxes</b>				
Sales Tax	\$ 849,129.3	\$ 739,119.9	\$ (110,009.5)	-13.0%
Use Tax	\$ 82,100.0	\$ 59,785.0	\$ (22,315.0)	-27.2%
State Sales Tax (Retailer's Occupation)	\$ 3,101.0	\$ 2,959.4	\$ (141.6)	-4.6%
Non-Retailer Transactions Use Tax	\$ 16,750.0	\$ 12,011.3	\$ (4,738.7)	-28.3%
Cigarette and Other Tobacco	\$ 107,386.1	\$ 95,038.9	\$ (12,347.2)	-11.5%
Alcoholic Beverage	\$ 37,300.0	\$ 36,425.3	\$ (874.7)	-2.3%
Gas Tax	\$ 93,750.0	\$ 75,638.7	\$ (18,111.3)	-19.3%
Retail Sale of Motor Vehicles	\$ 2,900.0	\$ 2,157.5	\$ (742.5)	-25.6%
Wheel Tax	\$ 4,700.0	\$ 4,489.0	\$ (211.0)	-4.5%
Amusement Tax	\$ 39,750.0	\$ 6,254.7	\$ (33,495.3)	-84.3%
Parking Lot / Garage Operations	\$ 48,500.0	\$ 22,936.5	\$ (25,563.5)	-52.7%
Gambling Machine Tax	\$ 5,500.0	\$ 2,117.2	\$ (3,382.8)	-61.5%
Firearms and Ammunition Tax	\$ 1,200.0	\$ 1,474.0	\$ 274.0	22.8%
Off Track Betting Commissions	\$ 1,100.0	\$ 533.4	\$ (566.6)	-51.5%
Illinois Gaming - Casino	\$ 9,000.0	\$ 3,949.2	\$ (5,050.8)	-56.1%
State Income Tax	\$ 13,288.0	\$ 12,562.3	\$ (725.7)	-5.5%
Hotel Accommodations	\$ 34,400.0	\$ 13,719.8	\$ (20,680.2)	-60.1%
Video Gaming Tax	\$ 550.0	\$ 416.3	\$ (133.7)	-24.3%
Sports Betting Tax	\$ 1,752.0	\$ 250.0	\$ (1,502.0)	-85.7%
Cannabis Tax	\$ -	\$ 2,366.0	\$ 2,366.0	
<b>Subtotal Other Non-Property Taxes</b>	<b>\$ 1,352,156.4</b>	<b>\$ 1,094,204.3</b>	<b>\$ (257,952.0)</b>	<b>-19.1%</b>
<b>Fee Revenue</b>				
Clerk of Circuit Court	\$ 75,300.0	\$ 58,397.2	\$ (16,902.8)	-22.4%
Treasurer's Fees	\$ 40,000.0	\$ 40,000.0	\$ -	0.0%
Recorder of Deeds Fees**	\$ 40,425.0	\$ 42,014.7	\$ 1,589.7	3.9%
County Clerk	\$ 10,280.0	\$ 7,521.2	\$ (2,758.8)	-26.8%
Sheriff	\$ 16,315.2	\$ 9,278.3	\$ (7,036.9)	-43.1%
Other***	\$ 19,055.7	\$ 17,005.2	\$ (2,050.5)	-10.8%
<b>Subtotal Fee Revenue</b>	<b>\$ 201,375.9</b>	<b>\$ 174,216.6</b>	<b>\$ (27,159.2)</b>	<b>-13.5%</b>
<b>Other Sources</b>				
Miscellaneous Revenues****	\$ 48,004.2	\$ 35,405.3	\$ (12,598.9)	-26.2%
Intergovernmental Revenues*****	\$ 60,529.7	\$ 50,944.9	\$ (9,584.8)	-15.8%
Indirect Costs	\$ 15,061.5	\$ 12,766.7	\$ (2,294.8)	-15.2%
Prior Year Fund Balance	\$ 10,000.0	\$ 10,000.0	\$ -	0.0%
<b>Subtotal Other Sources</b>	<b>\$ 133,595.4</b>	<b>\$ 109,116.9</b>	<b>\$ (24,478.4)</b>	<b>-18.3%</b>
<b>Total</b>	<b>\$ 1,922,792.0</b>	<b>\$ 1,622,202.3</b>	<b>\$ (300,589.7)</b>	<b>-15.6%</b>

Note: Totals may not add due to rounding.

\*\*Recorder of Deeds Fees include Recorder Audit Revenues.

\*\*\*Other fee revenue includes resources generated from fees and licenses such as liquor licenses, building and zoning permits, and environmental control fees, as well as Sheriff's fees.

\*\*\*\*Miscellaneous Revenue includes investment income, estates of unknown heirs, telephone commissions, property rental income and other sources.

\*\*\*\*\*Intergovernmental revenues include reimbursements from the Administrative Office of the Illinois Courts for probation and Juvenile Temporary Detention Center staff and reimbursements from the Cook County Forest Preserve District.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 29 and 50-51; and FY2020 Annual Appropriation Bill, Volume 1, p. 20.

## General Fund and Health Fund Resource Trends

The next table shows General and Health Fund resources over the five-year period from FY2017 through FY2021, comparing actual revenues for past years to resources approved in the FY2020 adopted budget and proposed resource estimates presented in the FY2021 Executive Budget Recommendation. The FY2020 figures are adopted budget figures, not the year-end projections discussed above.

The General Fund and Health Enterprise Fund account for the majority of Cook County's general operations. Together these two funds make up approximately 76% of the County's total \$6.92 billion proposed FY2021 budget. The General Fund includes the Corporate Fund, which accounts for general administration and property taxation, and the Public Safety Fund, which accounts for the County's courts and jail system. The Health Fund accounts for operations within the County's health and hospitals system known as Cook County Health.

Cook County expects to generate a total of \$5.3 billion in General Fund and Health Fund revenue sources in FY2021. This is an 11.6%, or \$547.7 million, increase compared to \$4.7 billion in budgeted resources the prior year. The increase in revenues is primarily due to a significant increase of \$520.9 million, or 19.1%, in Cook County Health fees. This increase in the Health Fund offsets anticipated decreases in other revenue sources.

Many sources of revenue in the General Fund, including the sales tax, several other non-property taxes, and several fee revenue sources, are expected to decline in FY2021 compared to the FY2020 adopted budget as a lingering result of the COVID-19 pandemic.

**Sales Tax** revenue is projected to total \$830.2 million in FY2021, which is a 2.2%, or \$18.9 million, decrease from the FY2020 adopted budget. This projection accounts for the County's 1.75% sales tax being applied to online sales beginning January 1, 2021. The County expects the online sales tax to generate \$80.3 million. Without this additional revenue from online sales, sales tax revenue in FY2021 would have been projected at \$749.9 million, or 11.7% below the FY2020 budget.<sup>56</sup>

**Other Non-Property Tax** revenue is projected to total \$452.4 million in FY2021 compared to \$503.0 million budgeted in FY2020, which is a decrease of \$50.6 million or 10.1%. Non-property taxes other than sales tax include use taxes and a variety of consumer taxes on items such as alcohol, cigarettes and tobacco, gas, amusement, parking operations, gambling machines, firearms, casinos and off track betting, and several other consumer transactions. The largest decreases among non-property taxes are expected within the following tax sources:

- Use tax revenue is projected to be \$70.1 million, a decline from the FY2020 budget of \$12.0 million, or 14.6%. The use tax is a tax on the sale of titled or registered personal property such as cars, motorcycles and boats;
- Amusement tax revenue is expected to be \$24.3 million in FY2021 compared to \$39.8 million budgeted in FY2020, a decrease of \$15.5 million or 39.0%; and

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<sup>56</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 9.

- Hotel accommodations tax revenue is projected to be \$19.5 million, a 43.3%, or \$14.9 million, decline from \$34.4 million in the FY2020 budget.

While most non-property taxes are projected to decline, two new revenue sources will be available in FY2021. The cannabis tax, which the County was able to begin collecting on July 1, 2020, is expected to generate \$13.9 million in revenue for the County in FY2021. Additionally, a gambling expansion bill that went into effect in 2019 is projected to bring in \$3.6 million in FY2021.

**Fee revenue** collected by various County offices including the Clerk of the Circuit Court, Recorder of Deeds, Treasurer, Sheriff, State’s Attorney, Medical Examiner and Assessor, is expected to decline by \$30.6 million from the FY2020 budget, or 15.2%. The largest decline, \$15.0 million, is expected within the Treasurer’s fees because of uncertainty around how COVID-19 will affect delinquent property tax collections.<sup>57</sup> The Recorder of Deeds fee revenue will be completely shifted to the office of the County Clerk as that office absorbs the Recorder of Deeds’ office beginning December 1, 2020.

**Property Tax** revenue is not anticipated to decline in FY2021 compared to the prior year budget. The amount of property tax revenue distributed to the General and Health Funds will total \$346.1 million in FY2021, compared to \$305.4 million in FY2020. This \$40.8 million increase from the prior year is due to a decrease in property tax revenue required for the Election Fund in FY2021, which frees up more property tax revenue for operations.<sup>58</sup> The County also expects to receive \$23.5 million in TIF surplus from the City of Chicago and suburbs, proportional to its share of the tax bill (7% of the City of Chicago’s TIF surplus).

**Cook County Health Fees** are projected to total \$3.2 billion in FY2021, an increase of \$520.9 million, or 19.1%, over the prior year budget of \$2.7 billion. Cook County Health’s revenue is largely composed of the health system’s fee revenues generated from Medicaid, Medicare, private payers, and the CountyCare managed care network, as well as supplemental payments from Disproportionate Share Hospital (DSH) payments and Benefits Improvement Protection Act (BIPA). The large increase in FY2021 is primarily due to an increase in CountyCare enrollment. The health system is discussed in more detail on page 57 of this report.

**Miscellaneous revenue** includes 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, parking fees, and the sale of salvage.<sup>59</sup> Miscellaneous revenue is expected to increase by \$16.0 million, or 33.4%, in FY2021 from the FY2020 budget.

**Intergovernmental revenues** are reimbursements from the State Administrative Office of the Illinois Courts (AOIC) reimbursements to subsidize adult and juvenile probation salaries and from the Cook County Forest Preserve District for administrative services rendered on their behalf. The reimbursement to the County from the Forest Preserve District will be \$2.1 million

<sup>57</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 44.

<sup>58</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 35.

<sup>59</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 47.

in FY2021 and the AOIC reimbursement will be \$52.3 million. In FY2020 the State increased the appropriation for the AOIC to reimburse the costs for 100% of eligible positions.<sup>60</sup>

Reserves will also be used to balance the FY2021 budget. The County plans to use \$76.8 million in prior year fund balance within the General Fund to help offset the revenue declines due to COVID-19.<sup>61</sup> In FY2020 the County budgeted \$10.0 million of the prior year's General Fund balance to pay for one-time expenses like capital equipment and settlement costs.<sup>62</sup>

The following table presents General and Health Fund resources for FY2017-FY2021.

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<sup>60</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.

<sup>61</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 3

<sup>62</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 3.



Cook County General Fund and Health Fund Resources									
FY2017-FY2021 (in \$ thousands)									
	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Adopted	FY2021 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
<b>Property Taxes</b>									
Net Property Tax Levy	\$ 266,246.5	\$ 256,160.6	\$ 290,383.5	\$ 305,369.4	\$ 346,120.6	\$ 40,751.3	13.3%	\$ 79,874.1	30.0%
TIF Surplus	\$ 11,459.5	\$ 11,952.3	\$ 12,813.3	\$ 13,000.0	\$ 23,525.9	\$ 10,525.9	81.0%	\$ 12,066.4	105.3%
<b>Subtotal Property Taxes</b>	<b>\$ 277,706.0</b>	<b>\$ 268,112.9</b>	<b>\$ 303,196.9</b>	<b>\$ 318,369.4</b>	<b>\$ 369,646.6</b>	<b>\$ 51,277.2</b>	<b>16.1%</b>	<b>\$ 91,940.5</b>	<b>33.1%</b>
<b>Sales Tax</b>									
	\$ 810,959.2	\$ 842,649.4	\$ 838,744.8	\$ 849,129.3	\$ 830,214.3	\$ (18,915.0)	-2.2%	\$ 19,255.1	2.4%
<b>Other Non-Property Taxes</b>									
Use Tax	\$ 79,761.2	\$ 84,352.6	\$ 84,906.1	\$ 82,100.0	\$ 70,100.0	\$ (12,000.0)	-14.6%	\$ (9,661.2)	-12.1%
State Sales Tax (Retailer's Occupation)	\$ 2,829.5	\$ 3,055.2	\$ 3,232.6	\$ 3,101.0	\$ 3,146.8	\$ 45.8	1.5%	\$ 317.3	11.2%
Non-Retailer Transactions Use Tax	\$ 19,011.2	\$ 15,556.3	\$ 16,040.4	\$ 16,750.0	\$ 15,250.0	\$ (1,500.0)	-9.0%	\$ (3,761.2)	-19.8%
Cigarette and Other Tobacco	\$ 130,930.9	\$ 122,356.5	\$ 113,085.8	\$ 107,386.1	\$ 103,100.0	\$ (4,286.1)	-4.0%	\$ (27,830.9)	-21.3%
Alcoholic Beverage	\$ 37,175.4	\$ 37,166.9	\$ 39,273.0	\$ 37,300.0	\$ 36,300.0	\$ (1,000.0)	-2.7%	\$ (875.4)	-2.4%
Gas Tax	\$ 96,610.0	\$ 96,551.2	\$ 94,964.5	\$ 93,750.0	\$ 87,000.0	\$ (6,750.0)	-7.2%	\$ (9,610.0)	-9.9%
Retail Sale of Motor Vehicles	\$ 3,095.1	\$ 3,090.8	\$ 3,089.4	\$ 2,900.0	\$ 2,300.0	\$ (600.0)	-20.7%	\$ (795.1)	-25.7%
Wheel Tax	\$ 3,692.0	\$ 5,817.8	\$ 4,047.9	\$ 4,700.0	\$ 4,800.0	\$ 100.0	2.1%	\$ 1,108.0	30.0%
Amusement Tax	\$ 41,282.1	\$ 38,655.6	\$ 38,688.5	\$ 39,750.0	\$ 24,265.0	\$ (15,485.0)	-39.0%	\$ (17,017.1)	-41.2%
Parking Lot / Garage Operations	\$ 48,852.9	\$ 50,483.0	\$ 50,421.4	\$ 48,500.0	\$ 43,000.0	\$ (5,500.0)	-11.3%	\$ (5,852.9)	-12.0%
Gambling Machine Tax	\$ 2,105.3	\$ 2,206.8	\$ 2,639.2	\$ 5,500.0	\$ 3,500.0	\$ (2,000.0)	-36.4%	\$ 1,394.7	66.2%
Firearms and Ammunition Tax	\$ 1,671.7	\$ 1,465.7	\$ 1,227.1	\$ 1,200.0	\$ 1,200.0	\$ -	0.0%	\$ (471.7)	-28.2%
Off Track Betting Commissions	\$ 1,411.4	\$ 1,195.1	\$ 1,207.8	\$ 1,100.0	\$ 1,000.0	\$ (100.0)	-9.1%	\$ (411.4)	-29.1%
Illinois Gaming - Casino	\$ 8,598.5	\$ 8,842.8	\$ 8,755.3	\$ 9,000.0	\$ 7,300.0	\$ (1,700.0)	-18.9%	\$ (1,298.5)	-15.1%
State Income Tax	\$ 12,263.8	\$ 12,891.1	\$ 14,462.3	\$ 13,288.0	\$ 12,623.6	\$ (664.4)	-5.0%	\$ 359.8	2.9%
Hotel Accommodations	\$ 33,045.5	\$ 36,149.7	\$ 35,551.0	\$ 34,400.0	\$ 19,500.0	\$ (14,900.0)	-43.3%	\$ (13,545.5)	-41.0%
Sweetened Beverage Tax	\$ 46,396.6	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	\$ (46,396.6)	-100.0%
Video Gaming Tax	\$ -	\$ -	\$ 256.7	\$ 550.0	\$ 550.0	\$ -	0.0%	\$ 550.0	N/A
Sports Betting Tax	\$ -	\$ -	\$ -	\$ 1,752.0	\$ 3,575.0	\$ 1,823.0	104.1%	\$ 3,575.0	N/A
Cannabis Tax	\$ -	\$ -	\$ -	\$ -	\$ 13,905.1	\$ 13,905.1	N/A	\$ 13,905.1	N/A
<b>Subtotal Other Non-Property Taxes</b>	<b>\$ 568,733.2</b>	<b>\$ 519,837.2</b>	<b>\$ 511,849.1</b>	<b>\$ 503,027.1</b>	<b>\$ 452,415.5</b>	<b>\$ (50,611.6)</b>	<b>-10.1%</b>	<b>\$ (116,317.8)</b>	<b>-20.5%</b>
<b>Cook County Health Fees*</b>									
	\$ 1,401,529.1	\$ 2,562,986.3	\$ 2,452,390.8	\$ 2,728,791.4	\$ 3,249,678.2	\$ 520,886.8	19.1%	\$ 1,848,149.2	131.9%
<b>Fee Revenue</b>									
Clerk of Circuit Court	\$ 70,900.9	\$ 73,979.9	\$ 74,653.9	\$ 75,300.0	\$ 64,000.0	\$ (11,300.0)	-15.0%	\$ (6,900.9)	-9.7%
Treasurer's Fees	\$ 56,239.6	\$ 44,111.1	\$ 62,501.2	\$ 40,000.0	\$ 25,000.0	\$ (15,000.0)	-37.5%	\$ (31,239.6)	-55.5%
Recorder of Deeds Fees**	\$ 39,619.9	\$ 38,700.5	\$ 44,503.9	\$ 40,425.0	\$ -	\$ (40,425.0)	-100.0%	\$ (39,619.9)	-100.0%
County Clerk	\$ 10,135.7	\$ 9,564.0	\$ 10,444.6	\$ 10,280.0	\$ 47,918.5	\$ 37,638.5	366.1%	\$ 37,782.8	372.8%
Sheriff	\$ 19,045.8	\$ 19,326.1	\$ 18,118.5	\$ 16,315.2	\$ 15,809.9	\$ (505.3)	-3.1%	\$ (3,235.9)	-17.0%
Other***	\$ 25,145.0	\$ 26,565.5	\$ 26,078.9	\$ 19,055.7	\$ 18,074.7	\$ (981.0)	-5.1%	\$ (7,070.3)	-28.1%
<b>Subtotal Fee Revenue</b>	<b>\$ 221,086.9</b>	<b>\$ 212,247.1</b>	<b>\$ 236,301.0</b>	<b>\$ 201,375.9</b>	<b>\$ 170,803.1</b>	<b>\$ (30,572.8)</b>	<b>-15.2%</b>	<b>\$ (50,283.8)</b>	<b>-22.7%</b>
<b>Other Sources</b>									
Miscellaneous Revenues****	\$ 61,646.2	\$ 21,403.0	\$ 42,723.8	\$ 48,004.2	\$ 64,024.5	\$ 16,020.3	33.4%	\$ 2,378.4	3.9%
Intergovernmental Revenues*****	\$ 42,663.4	\$ 54,395.9	\$ 54,328.9	\$ 60,529.7	\$ 54,225.1	\$ (6,304.5)	-10.4%	\$ 11,561.7	27.1%
Indirect Costs	\$ 11,927.1	\$ -	\$ 16,119.0	\$ 15,061.5	\$ 14,118.8	\$ (942.7)	-6.3%	\$ 2,191.7	18.4%
Prior Year Fund Balance	\$ -	\$ -	\$ -	\$ 10,000.0	\$ 76,825.6	\$ 66,825.6	668.3%	\$ 76,825.6	N/A
<b>Subtotal Other Sources</b>	<b>\$ 116,236.7</b>	<b>\$ 75,799.0</b>	<b>\$ 113,171.6</b>	<b>\$ 133,595.4</b>	<b>\$ 209,194.0</b>	<b>\$ 75,598.7</b>	<b>56.6%</b>	<b>\$ 92,957.3</b>	<b>80.0%</b>
<b>Total Resources</b>	<b>\$ 3,396,251.1</b>	<b>\$ 4,481,631.9</b>	<b>\$ 4,455,654.2</b>	<b>\$ 4,734,288.4</b>	<b>\$ 5,281,951.7</b>	<b>\$ 547,663.3</b>	<b>11.6%</b>	<b>\$ 1,885,700.6</b>	<b>55.5%</b>

\*Cook County Health Fees include revenues from patient fees and supplemental payments for care provided at County hospitals (including from Medicare, Medicaid, private payers and other carriers and the Cook County Managed Care Community Network, or CountyCare). Supplemental payments include Benefits Improvement and Protection Act (BIPA) and Disproportionate Share Hospital (DSH) payments and incentives from the federal government. Miscellaneous health care revenues are not included in patient fees. Note: Cook County Health fee revenue in FY2020 is inflated by \$173.1 million due to an internal reimbursement.

\*\*Recorder of Deeds Fees include Recorder Audit Revenues.

\*\*\*Other fee revenue includes resources generated from fees and licenses such as liquor licenses, building and zoning permits, and environmental control fees, as well as Sheriff's fees.

\*\*\*\*Miscellaneous Revenue includes investment income, estates of unknown heirs, telephone commissions, property rental income and other sources.

\*\*\*\*\*Intergovernmental revenues include reimbursements from the Administrative Office of the Illinois Courts for probation and Juvenile Temporary Detention Center staff and reimbursements from the Cook County Forest Preserve District.

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

## Property Tax Levy for All Funds

Cook County is levying for total net property tax revenue of \$773.1 million in FY2021. This accounts for an estimated 3% loss in collections from the gross levy of \$784.2 million.<sup>63</sup> This is a slight increase of \$8.7 million, or 1.1%, compared to the total net levy of \$764.4 million in FY2020.

The County has held its base property tax level 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 goes to the County instead of to the TIF. It is not a tax increase. In FY2021 the County will capture a total of \$63.7 million in additional property tax revenue due to the following:

- \$22.6 million from expiring TIF districts;
- \$38.1 million from new property; and
- \$3.0 million from expiring incentives.<sup>64</sup>

Property tax revenues are distributed to seven major funds: Corporate Purpose, 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, 33.9%, of the net levy will be allocated to the Bond & Interest fund to pay debt service in FY2021. The Public Safety Fund will receive 28.9% of property tax revenue. The Pension Fund will receive 19.5% to be put toward the County's FY2021 pension payment. The Health Fund will receive 15.9% of the property tax levy, increased from 10.8% the prior year.

The Health Fund allocation of the property tax levy in FY2021 is \$122.7 million, which is an increase of \$40 million from \$82.7 million in FY2020. The County had decreased its property tax allocation to Cook County Health over the past several years from \$121.2 million in FY2016. The County increased the FY2020 allocation by \$10.0 million from the prior year to help offset some of the health system's uncompensated care costs. The County will again increase the allocation to about the same level as FY2016 in order to help balance the Health Fund budget.

The Election Fund will receive 1.8% of the property tax levy in FY2021, down from 6.8% in FY2020. The allocation of the levy to this fund fluctuates with election years.

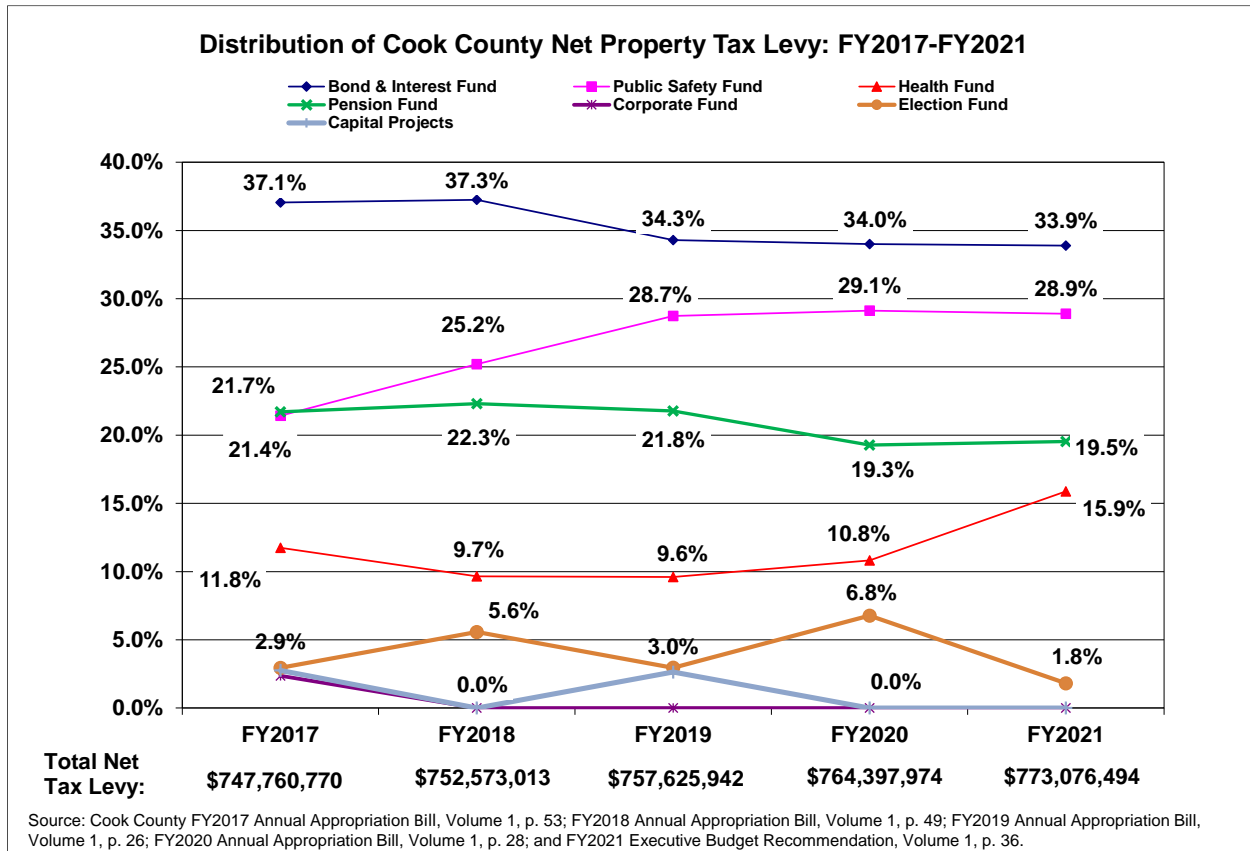
The County allocated property tax revenue to the Capital Fund for the first time in FY2017. Capital funding did not receive property tax revenue in FY2018, but did receive 2.6% of the

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<sup>63</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 36.

<sup>64</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 36.

property tax levy revenue in FY2019. The Capital Fund is not allocated to receive any property tax revenue in FY2020 or FY2021. The Corporate Fund has not received any portion of the property tax levy since FY2017.



## PERSONNEL TRENDS

The following section presents trends for budgeted personnel by fund and by control officer as well as trends in personal service appropriations for all funds between FY2017 and FY2021.<sup>65</sup>

Cook County proposes a net decrease of 543.1 full-time equivalent (FTE) positions<sup>66</sup> from the adopted FY2020 budget in the General Fund, Special Purpose Funds and Health Fund for a total of 21,106.1 FTEs in FY2021.<sup>67</sup> The net decline of 543.1 FTEs across all funds is due to a reduction in vacancies, not layoffs. Grant funds are excluded from this personnel analysis. When grant funds are included, the total County workforce is 21,820 FTEs, a net decrease of 253.7 FTEs, or 1.1%, from the approved FY2020 budget.<sup>68</sup> Despite the overall net decrease, the number of grant funded positions will increase from 424.4 FTEs in FY2020 to 713.9 FTEs in FY2021 due to a grant to hire contact tracers to track coronavirus cases.

<sup>65</sup> Although personnel data for Cook County Health is included, additional details on health system personnel is discussed on page 74 of this report.

<sup>66</sup> Full-time equivalent positions account for full-time, part-time, seasonal and hourly wage earners.

<sup>67</sup> This number does not include grant-funded positions.

<sup>68</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 128.

## Full-Time Equivalent Positions by Fund

The Corporate Fund will decrease by 39.4 FTEs, or 2.8%, and the Public Safety Fund will decrease by 619.8 FTEs or 4.9%. The reduction of FTEs in the Public Safety Fund is primarily due to the elimination of vacant positions in the Office of the Sheriff, Chief Judge and Clerk of the Circuit Court.<sup>69</sup> The Health Fund will increase by 141.8 FTEs, or 2.1%, from FY2020 adopted figures. The increase in the Health Fund is due to the expansion of CountyCare, an effort to replace expensive contracted personnel with health system employees and comply with social distancing requirements at Cermak Health.<sup>70</sup> The Election Fund will increase by 5.0 FTEs and Other Special Purpose Funds will decrease by 30.7 FTEs from the FY2020 adopted budget.

Over the five-year period beginning in FY2017, total FTEs, excluding grant funds, will decrease by 1,718.8 FTEs or 7.5%. The General Fund, which includes the Corporate and Public Safety Fund, will see a decrease of 1,515.7 FTEs. The Public Safety Fund workforce will see the largest decrease in FTEs, declining by 1,484.9 FTEs, or 10.9%, over the five-year period.

Cook County Budgeted FTEs by Fund: FY2017-FY2021									
Fund	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Proposed	FY2021 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Corporate Fund	1,381.1	1,294.5	1,321.6	1,389.7	1,350.3	(39.4)	-2.8%	(30.8)	-2.2%
Public Safety Fund	13,589.5	12,467.1	12,492.5	12,724.4	12,104.6	(619.8)	-4.9%	(1,484.9)	-10.9%
<b>Subtotal General Fund</b>	<b>14,970.6</b>	<b>13,761.6</b>	<b>13,814.1</b>	<b>14,114.1</b>	<b>13,454.9</b>	<b>(659.2)</b>	<b>-4.7%</b>	<b>(1,515.7)</b>	<b>-10.1%</b>
Health Fund	6,864.9	6,894.7	7,239.3	6,601.0	6,742.8	141.8	2.1%	(122.1)	-1.8%
Election Fund	129.0	124.5	124.5	120.6	125.6	5.0	4.1%	(3.4)	-2.6%
Other Special Purpose Funds	860.4	828.1	837.5	813.5	782.8	(30.7)	-3.8%	(77.6)	-9.0%
<b>Total</b>	<b>22,824.9</b>	<b>21,608.9</b>	<b>22,015.4</b>	<b>21,649.2</b>	<b>21,106.1</b>	<b>(543.1)</b>	<b>-2.5%</b>	<b>(1,718.8)</b>	<b>-7.5%</b>

Note: Some differences in totals may appear due to rounding. Figures do not include grant-funded positions.

Source: Cook County FY2021 Executive Budget Recommendation, Volume I, pp. 124-128.

## Full-Time Equivalent Positions for All Funds by Control Officer

The following section analyzes the number of FTEs by control officer for all funds. The most significant decrease in FTEs over the two-year period will occur in the Sheriff's Office, which will decrease by 299.0 FTEs or 5.1%. The reduction in FTEs under the Sheriff is due to the elimination of 306 vacant positions, mostly within the Court Services Division.<sup>71</sup> The number of FTEs within the Chief Judge's Office is projected to decline by 251.0 FTEs or 8.3%.

All 121.0 FTE positions in the Recorder of Deeds Office will be eliminated, as the County Clerk's Office will absorb the Recorder's Office on December 1, 2020. A number of those positions are incorporated into the increase in FTEs within the County Clerk's Office. In November 2016 the Cook County electorate voted to merge the Cook County Recorder of Deeds Office with the Cook County Clerk's Office by December 7, 2020.<sup>72</sup> FTEs by Control Officer will otherwise stay relatively flat, with the exception of the Clerk of the Circuit Court, which will decrease by 92.6 FTEs or 6.3%.

<sup>69</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 70.

<sup>70</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 79.

<sup>71</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 4.

<sup>72</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. vii.

Over the past five years, the largest decreases in the number of FTEs will occur in the Office of the Sheriff, Chief Judge, Clerk of the Circuit Court and Cook County Health.<sup>73</sup> The Recorder of Deeds Office has decreased by the largest percentage, declining by 141.0 FTEs or 100% because it is being merged with the Cook County Clerk's Office in FY2021. Aside from the increase in FTEs under the County Clerk due to the merging of the Recorder of Deeds Office, the Offices Under the President will see the largest increase in FTEs over the five-year period, growing by 73.4 FTEs or 3.2%.

Cook County FTEs by Control Officer for General Funds and Special Purpose Funds: FY2017-FY2021									
Control Officer	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	2,326.9	2,324.6	2,359.0	2,411.5	2,400.3	(11.2)	-0.5%	73.4	3.2%
Board of Commissioners	88.1	89.4	91.0	93.3	94.4	1.1	1.2%	6.3	7.2%
County Clerk	275.0	263.1	262.1	265.4	350.0	84.6	31.9%	75.0	27.3%
Recorder of Deeds	141.0	136.0	135.0	121.0	-	(121.0)	-100.0%	(141.0)	-100.0%
Treasurer	88.5	88.5	86.5	86.5	86.5	0.0	0.0%	(2.0)	-2.3%
Sheriff	6,624.3	5,983.2	5,884.0	5,906.0	5,607.0	(299.0)	-5.1%	(1,017.3)	-15.4%
State's Attorney	1,168.4	1,143.1	1,171.8	1,197.6	1,204.4	6.8	0.6%	36.0	3.1%
Chief Judge	3,071.1	2,722.4	2,875.1	3,012.7	2,761.7	(251.0)	-8.3%	(309.4)	-10.1%
Clerk of the Circuit Court	1,609.7	1,476.9	1,420.6	1,465.6	1,373.0	(92.6)	-6.3%	(236.7)	-14.7%
Assessor	331.0	278.0	265.0	277.0	276.0	(1.0)	-0.4%	(55.0)	-16.6%
Other*	169.0	147.0	162.0	180.0	180.0	0.0	0.0%	11.0	6.5%
Cook County Health	6,917.9	6,942.7	7,288.3	6,618.0	6,760.8	142.8	2.2%	(157.1)	-2.3%
Cook County Land Bank	14.0	14.0	15.0	15.0	12.0	(3.0)	-20.0%	(2.0)	-14.3%
<b>Total</b>	<b>22,824.9</b>	<b>21,608.9</b>	<b>22,015.4</b>	<b>21,649.6</b>	<b>21,106.1</b>	<b>(543.5)</b>	<b>-2.5%</b>	<b>(1,718.8)</b>	<b>-7.5%</b>

Note: The figures above do not include grant-funded FTEs. Some differences in totals may appear due to rounding.

\*Other includes the Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 129-130.

## Salaries by Control Officer

The following table compares adopted salary appropriations from FY2017 to FY2020 with the FY2021 proposed appropriations. In FY2021 the County will appropriate \$1.6 billion for salary expenditures, an increase of 1.7%, or \$27.3 million, from FY2020 adopted figures. Cook County Health will see the largest increase in salary appropriations over the two-year period at \$63.9 million, or 12.2%, due to a net increase of approximately 142 additional full-time equivalent employees attributed to the expansion of CountyCare and an effort to replace expensive contracted personnel with health system employees and comply with social distancing requirements at Cermak Health.<sup>74</sup>

Between FY2017 and FY2021, salary appropriations across all funds, excluding grant funds, are projected to increase by nearly \$1.1 million or 0.1%. Salary appropriations under some control officers will increase, while the Recorder of Deeds, Sheriff, Chief Judge, Clerk of the Circuit Court, Assessor's offices and the Cook County Land Bank will increase. The largest five-year dollar increase, aside from the health system, is for the Offices Under the President, whose salary appropriations will increase by \$15.8 million or 8.4%. The largest dollar decrease over the five-year period will occur under the Sheriff, which will decline by \$50.3 million, or 11.3%.

<sup>73</sup> This does not include grant-funded positions.

<sup>74</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 79.

Cook County Salaries by Control Officer for All Funds: FY2017-FY2021 (in \$ thousands)									
Control Officer	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Offices Under the President	\$ 187,980.7	\$ 189,504.5	\$ 195,501.8	\$ 203,302.7	\$ 203,762.0	\$ 459.4	0.2%	\$ 15,781.4	8.4%
Board of Commissioners	\$ 6,449.7	\$ 6,810.2	\$ 6,703.0	\$ 6,898.6	\$ 6,879.2	\$ (19.4)	-0.3%	\$ 429.5	6.7%
County Clerk	\$ 17,581.8	\$ 17,222.6	\$ 17,542.3	\$ 18,252.9	\$ 24,414.4	\$ 6,161.5	33.8%	\$ 6,832.7	38.9%
Recorder of Deeds	\$ 8,477.6	\$ 8,327.3	\$ 8,165.0	\$ 7,681.5	\$ -	\$ (7,681.5)	-100.0%	\$ (8,477.6)	-100.0%
Treasurer	\$ 7,161.5	\$ 7,416.8	\$ 7,571.2	\$ 7,402.3	\$ 7,696.4	\$ 294.1	4.0%	\$ 534.9	7.5%
Sheriff	\$ 443,992.2	\$ 404,721.6	\$ 416,733.6	\$ 416,614.9	\$ 393,685.1	\$ (22,929.8)	-5.5%	\$ (50,307.1)	-11.3%
State's Attorney	\$ 98,409.4	\$ 97,406.3	\$ 100,058.2	\$ 102,407.9	\$ 104,267.1	\$ 1,859.2	1.8%	\$ 5,857.6	6.0%
Chief Judge	\$ 180,264.6	\$ 159,166.8	\$ 171,444.1	\$ 172,978.4	\$ 162,604.8	\$ (10,373.6)	-6.0%	\$ (17,659.8)	-9.8%
Clerk of the Circuit Court	\$ 86,854.2	\$ 81,116.7	\$ 78,500.4	\$ 81,997.0	\$ 77,954.8	\$ (4,042.2)	-4.9%	\$ (8,899.5)	-10.2%
Assessor	\$ 21,308.5	\$ 19,515.6	\$ 18,630.9	\$ 20,389.8	\$ 19,896.6	\$ (493.2)	-2.4%	\$ (1,411.9)	-6.6%
Other Elected Officials*	\$ 11,948.7	\$ 10,797.6	\$ 12,481.3	\$ 13,561.8	\$ 13,982.8	\$ 421.0	3.1%	\$ 2,034.1	17.0%
Cook County Health	\$ 532,825.1	\$ 542,472.2	\$ 583,888.4	\$ 525,342.7	\$ 589,255.2	\$ 63,912.5	12.2%	\$ 56,430.1	10.6%
Cook County Land Bank	\$ 1,106.5	\$ 1,118.6	\$ 1,224.3	\$ 1,251.8	\$ 1,021.5	\$ (230.3)	-18.4%	\$ (85.0)	-7.7%
<b>Total</b>	<b>\$1,604,360.5</b>	<b>\$1,545,596.7</b>	<b>\$1,618,444.5</b>	<b>\$1,578,082.2</b>	<b>\$1,605,419.9</b>	<b>\$ 27,337.7</b>	<b>1.7%</b>	<b>\$ 1,059.4</b>	<b>0.1%</b>

Note 1: Some differences in totals may appear due to rounding.

Note 2: Does not include grant funds.

\*Other includes the Public Administrator, Office of the Independent Inspector General, Board of Review and the Board of Election Commissioners.

Source: Cook County FY2021 Executive Budget Recommendation, Volume I, Proposed Expenditures, pp. 131-134.

## Personal Services Appropriations

The following table compares budgeted personal services appropriations for the total County operating budget, excluding grant funds, from FY2017 through FY2021. Personal services appropriations include expenditures for salaries and wages, hospitalization, dental, vision and life insurance, the employer match of employees' Medicare contributions and pensions. Also included are employee expenses such as professional development and travel expenses.<sup>75</sup>

Personal services appropriations are projected to increase by \$59.8 million, or 2.0% above the approved FY2020 budget to \$3.1 billion in FY2021. The increase in personal service appropriations in FY2021 is primarily due to the increase of 142 FTEs within the Health Fund and supplemental contribution to the pension fund of \$342 million. The FY2021 personal services appropriations includes the statutorily required pension contribution of \$201.9 million, plus an additional contribution of \$312.0 million to help address unfunded pension liabilities and up to \$30 million to be deposited into the Pension Stabilization Fund.<sup>76</sup> The increase in FTEs in the Health Fund is offset by the elimination of 659 vacant full-time positions in the General Fund and Public Safety Fund.<sup>77</sup> Personal services appropriations will constitute 48.3% of the total operating budget in FY2021, down 4.5 percentage points from 52.8% in FY2020.

Over the five-year period the ratio of personal services appropriations to operating budget appropriations increased from 50.4% in FY2017 to approximately 57.5% in FY2019 before

<sup>75</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 291-292.

<sup>76</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 81.

<sup>77</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 4.

dropping to 52.8% in FY2020 and 48.3% in the proposed FY2021 budget.

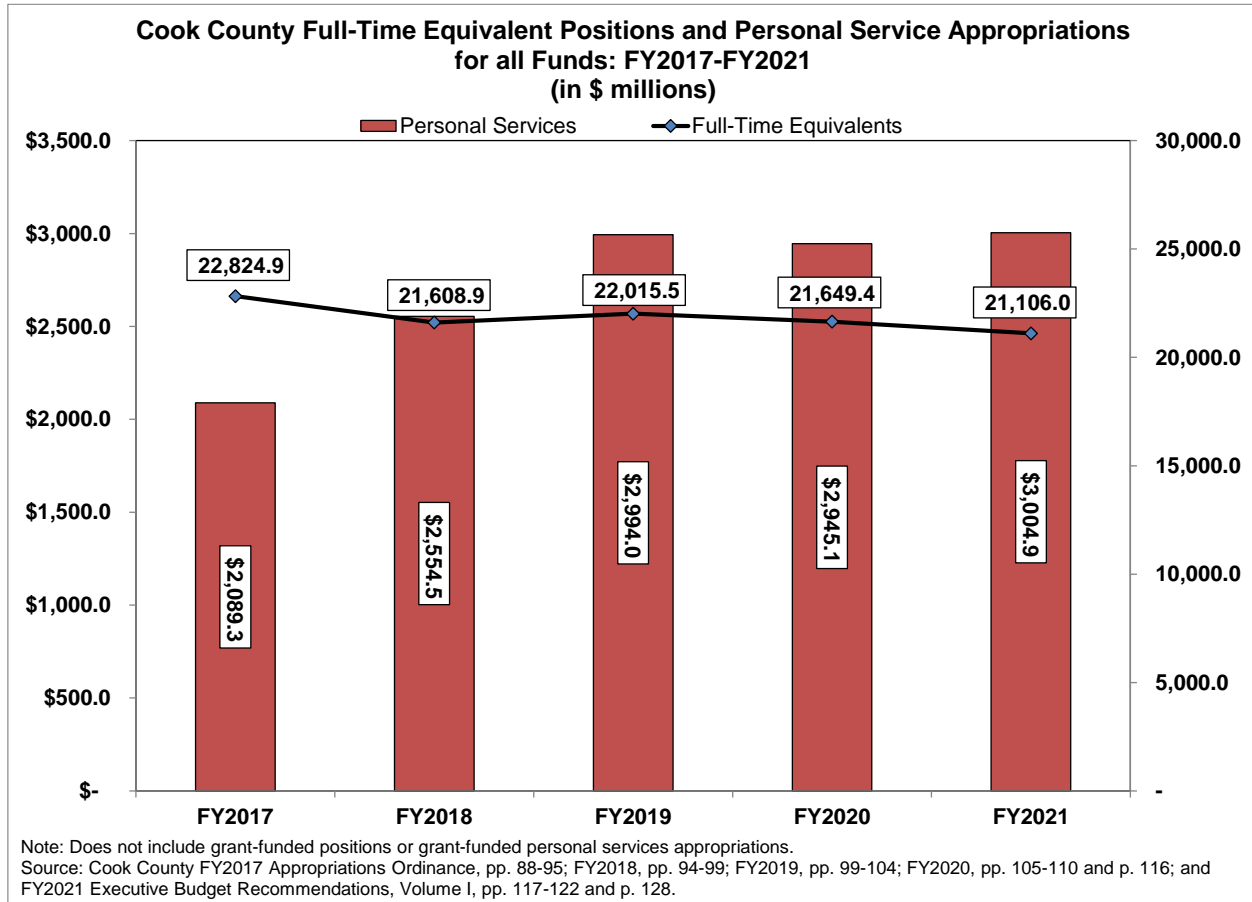
<b>Ratio of Personal Services Appropriations to Total General, Special Purpose and Health Funds Appropriations: FY2017-FY2021</b>			
	<b>Personal Services Appropriation</b>	<b>Total Operating Funds Expenditures</b>	<b>Personal Services as % of Total Operating Funds</b>
<b>FY2017 Adopted</b>	\$ 2,089,321,180	\$ 4,143,932,691	50.4%
<b>FY2018 Adopted</b>	\$ 2,554,547,599	\$ 4,533,846,849	56.3%
<b>FY2019 Adopted</b>	\$ 2,994,000,251	\$ 5,207,499,358	57.5%
<b>FY2020 Adopted</b>	\$ 2,945,108,895	\$ 5,572,643,937	52.8%
<b>FY2021 Proposed</b>	\$ 3,004,895,687	\$ 6,219,653,860	48.3%

Note: Adopted appropriations are used because actual expenditures are not available. Figures do not include grant funds.

Sources: Cook County FY2017 Annual Appropriations Ordinance, p. 95; FY2018, p. 99; FY2019, p. 104; FY2020, p. 110; and FY2021 Executive Budget Recommendation, Volume 1, p. 122.

The next chart shows total full-time equivalent positions and personal services appropriations for the five years between FY2017 and FY2021 for all funds, excluding grants. The proposed number of FTEs will decrease from 22,824.9 FTEs in FY2017 to 21,106.1 FTEs in the proposed FY2021 budget, a decrease of 7.5%, or 1,718.9 FTEs. At the same time, personal services appropriations will have increased by 43.8%, or \$915.6 million, from nearly \$2.1 billion in

FY2017 to \$3.0 billion in FY2021. Between FY2017 and FY2021 personal services appropriations have continued to steadily increase while FTE count has decreased.



## PUBLIC SAFETY

This section examines the recommended FY2021 budget for Public Safety. Public Safety spending is presented in the Cook County budget both by program area and by fund. This section will examine both. In general, Public Safety covers activities of the County’s criminal justice system including the County Jail, the Juvenile Temporary Detention Center, the court system and administrative services such as the Medical Examiner and Emergency Management.

Public safety and criminal justice activities are budgeted primarily through the offices of five separate agencies:

- Sheriff;
- State’s Attorney;
- Public Defender;
- Chief Judge; and
- Clerk of the Circuit Court.



The Sheriff's Office operates the County Jail, which is one of the country's largest jail facilities located at a single site.<sup>78</sup> The Sheriff also provides security for all court facilities, which involves monitoring the safety of court officials and jurors; handling prisoners; and screening people entering courthouses. The Sheriff's Police Department provides police service to the unincorporated areas of Cook County and certain other jurisdictions.

The Cook County Circuit Court is the largest of the 24 judicial circuits in Illinois and the second largest unified court system in the world.<sup>79</sup> The Office of the Chief Judge oversees the Court, which has approximately 400 judges and about one million new cases filed per year.<sup>80</sup> The Chief Judge also oversees the Juvenile Temporary Detention Center, probation supervision, and the Pretrial Services program, which interviews defendants to help judges make bail decisions and monitors released defendants who are awaiting trial.

The Clerk of the Circuit Court is responsible for maintaining all court files and recording court proceedings and determinations. The Clerk also collects fines and fees for the Circuit Court.

The State's Attorney's Office prosecutes all misdemeanor and felony crimes committed in the County. It is the second largest prosecutor's office in the U.S., with more than 700 attorneys.<sup>81</sup> In addition to direct criminal prosecution, assistant state's attorneys file legal actions to enforce child support orders, protect consumers and the elderly and assist victims of sexual assault and domestic violence. The State's Attorney also serves as legal counsel for the government of Cook County.

The Office of the Cook County Public Defender provides legal services for clients who are not financially able to pay for private legal representation in pending criminal, child protection and delinquency matters. The Public Defender is one of the largest in the country, with over 500 attorneys staffing courtrooms throughout the County.<sup>82</sup>

### **Public Safety Program Area FY2021 Proposed Appropriations**

The majority of public safety activities are accounted for within the Public Safety Fund, which is part of the County's General Fund. However, public safety activities and expenditures are also accounted for within special funds, restricted grant funds and fixed charges. This section looks at Cook County's public safety activities by program area across all of these funds.

The table below shows the total proposed FY2021 public safety appropriations within the public safety program area. The table includes all operating funds—the General Fund, special purpose funds and grant funds—but excludes the capital fund. It also excludes fixed charges, which are

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<sup>78</sup> Cook County Sheriff website, <https://www.cookcountysheriff.org/cook-county-department-of-corrections/>. Single-site facilities are distinguished from jail systems such as those in New York and Los Angeles that have multiple sites across their jurisdictions.

<sup>79</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 70.

<sup>80</sup> Circuit Court of Cook County website, Organization of the Circuit Court, <http://www.cookcountycourt.org/ABOUTTHECOURT/OrganizationoftheCircuitCourt.aspx>.

<sup>81</sup> Cook County State's Attorney website, <https://www.cookcountystatesattorney.org/about>.

<sup>82</sup> Law Office of the Cook County Public Defender website, <https://www.cookcountypublicdefender.org/about>.

administrative overhead expenses budgeted outside of departmental budgets such as utilities and technology costs.

Total proposed area appropriations within the public safety program area are \$1.37 billion in FY2021. This includes \$1.15 billion within the General Fund, which accounts for 83.7% of public safety program area appropriations. The Sheriff’s expenditures make up the largest portion at 41.8%, or \$573.2 million, followed by the Chief Judge at 18.8% or \$258.2 million. The Public Administrator and Chief Administrative Officer make up very small portions of public safety spending. The Public Administrator’s Office investigates and administers the estates of individuals who die in Cook County without a will or known heirs and the Chief Administrative Officer runs the emergency management department.

Special purpose funds account for proceeds from specific revenue sources and are available for expenditure only for restricted purposes within the offices of the Clerk of the Circuit Court, the Chief Judge, the Sheriff, State’s Attorney and Public Defender. Special purpose funds within the public safety program area total \$27.5 million in FY2021, which is 2.0% of the total.

Restricted funds, or grants, are projected to total \$196.2 million in FY2021, or 14.3% of public safety program area spending. The County receives grant funding from federal, State and private sources. Grant funding fluctuates from year to year.

<b>Cook County FY2021 Appropriations within the Public Safety Program Area by Fund and Control Officer</b>		
<b>Control Officer / Fund</b>	<b>FY2021 Proposed</b>	<b>Percentage of Total</b>
<b>General Fund</b>		
Public Defender	\$ 80,056,755	5.8%
Sheriff	\$ 573,162,818	41.8%
State's Attorney	\$ 133,689,550	9.8%
Chief Judge	\$ 258,194,023	18.8%
Clerk of the Circuit Court	\$ 99,401,775	7.3%
Public Administrator	\$ 1,412,029	0.1%
Chief Administrative Officer	\$ 1,090,000	0.1%
<b>General Fund</b>	<b>\$ 1,147,006,950</b>	<b>83.7%</b>
Special Purpose Funds	\$ 27,507,039	2.0%
Restricted (Grant) Funds	\$ 196,176,270	14.3%
<b>Total Public Safety</b>	<b>\$ 1,370,690,259</b>	<b>100.0%</b>

Note: Excludes capital fund appropriations for public safety projects.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 110-116.

### **Public Safety Fund Appropriations**

This section presents appropriations within the Public Safety Fund by department between FY2017 and FY2021. Public Safety Fund appropriations in the FY2021 proposed budget total \$1.29 billion, compared to \$1.34 billion in the FY2020 adopted budget. This represents an overall decrease of \$45.8 million or 3.4% from the prior year. Over the five-year period from

FY2017 to FY2021, Public Safety Fund appropriations are projected to decrease slightly by \$4.5 million or 0.4%.

Several departments that fall within the Public Safety Fund—the Justice Advisory Council, Medical Examiner, Emergency Management Agency, Department of Adoption and Family Supportive Services and Department of Facilities Management—are Offices Under the President. The Justice Advisory Council provides grants to community organizations for recidivism reduction, violence prevention and restorative justice. The proposed appropriation for Justice Advisory Council operations in FY2021 is \$963,196, a 15.1% increase over the FY2020 adopted appropriation of \$836,512. The budget for this office has grown as additional staff positions have been added over the past five years. However, it remains a small office of 9.8 proposed full-time equivalent positions.

The Medical Examiner’s budget is proposed to increase by 13.0% from \$14.5 million in FY2020 to \$16.4 million in FY2021 in order to hire two additional pathologists to handle increased caseloads and to support the costs of the Surge Center to handle COVID-19 decedents.<sup>83</sup>

The Public Defender’s appropriation proposed for FY2021 is \$80.1 million, a 2.0% increase from \$78.5 million the prior year. This will account for an additional nine positions and creation of an Immigration Representation Unit.<sup>84</sup>

The Sheriff’s budget is proposed to decrease by \$25.7 million, or 4.3%, from \$598.9 million budgeted in FY2020 to \$573.2 million in FY2021. The decrease is largely due to a reduction of \$23.0 million in the Court Services Division with the elimination of 263 vacant positions. The Sheriff’s Administration and Human Resources budget is proposed to decrease by \$8.2 million or 20.0%. Information Technology appropriations are proposed to decrease by \$2.2 million or 10.4%. While those areas of the Sheriff’s budget are proposed to decrease, other departments are proposed to increase including the Department of Corrections and Sheriff’s Police Department. The Department of Corrections spending will increase by \$5.4 million or 1.6% from \$336.3 million in the FY2020 adopted budget to \$341.7 million in the proposed FY2021 budget. The Police Department is proposed to increase by \$1.5 million, or 2.1%, to \$71.5 million.

Over the five year period from FY2017 through FY2021, the Sheriff’s total budget will decrease by 6.2% or \$37.8 million. The Department of Corrections will see very little change from \$337.1 million in FY2016. The Department of Corrections proposed FY2021 expenditures are a decrease of \$52.6 million, or 13.3%, from \$394.3 million in FY2017 to \$341.7 million. In FY2021 the Sheriff began budgeting for Community Corrections separate from the Department of Corrections, which shifted approximately \$23 million in spending from the Department of Corrections to the Community Corrections Department. When accounting for Community Corrections, the Corrections budget for jail and electronic monitoring operations has only decreased by 7.5% over the five-year period.

The State’s Attorney’s proposed appropriation for FY2021 is \$133.7 million, an increase of 2.5%, or \$3.0 million, from the prior year.

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<sup>83</sup> Cook County FY2021 Executive Budget Recommendation, Volume 2, p. A-31.

<sup>84</sup> Cook County FY2021 Executive Budget Recommendation, Volume 2, p. N-5.

The Chief Judge's total budget is expected to decrease by \$7.7 million, or 2.9%, from \$265.7 million in FY2021 to \$258.2 million in FY2021. The decrease is primarily due to the elimination of positions in the Adult Probation Department, as well as within the Office of the Chief Judge and Juvenile Probation Department. In FY2021 the Office of the Chief Judge is absorbing adoption services previously provided by the Department of Adoption and Family Supportive Services.<sup>85</sup>

Recommended appropriations for the Clerk of the Circuit Court are \$99.4 million, which is a nearly \$1.0 million, and 1.0%, decrease from the FY2020 budget. The decrease is primarily due to the elimination of vacant positions across various functions of the Clerk's Office.

Fixed charges are administrative overhead expenses that occur on a regular basis such as utilities, technology costs and debt service costs. In FY2021, fixed charges related to public safety are expected to be \$67.5 million, a decrease of \$20.3 million, or 23.1%. The decrease is primarily attributable to \$36.5 million in planned salary adjustments, which is partially offset by increases in other categories such as contractual services.<sup>86</sup>

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<sup>85</sup> Cook County FY2021 Executive Budget Recommendation, Volume 2, p. K-7.

<sup>86</sup> Cook County FY2021 Executive Budget Recommendation, Volume 2, p. Q-4.

The table below shows the annual expenditures and appropriations within all departments in the Public Safety Fund.

Cook County Appropriations in the Public Safety Fund by Department: FY2017-FY2021									
Department/Control Officer	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Adopted	FY2021 Proposed	Two-Year Change	Two-Year % Change	Five-Year Change	Five-Year % Change
Justice Advisory Council	\$ 622,744	\$ 583,851	\$ 670,538	\$ 836,512	\$ 963,196	\$ 126,684	15.1%	\$ 340,452	54.7%
Medical Examiner	\$ 13,201,565	\$ 12,725,309	\$ 13,462,815	\$ 14,509,387	\$ 16,396,009	\$ 1,886,622	13.0%	\$ 3,793,057	28.7%
Emergency Management Agency	\$ 3,422,512	\$ 1,356,428	\$ 1,891,583	\$ 1,430,983	\$ 1,090,000	\$ (340,983)	-23.8%	\$ (2,332,512)	-68.2%
Department of Adoption & Family Supportive Services	\$ 905,907	\$ 882,085	\$ 664,328	\$ 629,427	\$ -	\$ (629,427)	-100.0%	\$ (905,907)	-100.0%
Department of Facilities Management	\$ 52,367,144	\$ 51,641,734	\$ 55,212,531	\$ 56,318,004	\$ 59,457,415	\$ 3,139,411	5.6%	\$ 7,090,271	13.5%
Public Defender	\$ 73,762,796	\$ 73,015,633	\$ 77,330,895	\$ 78,475,884	\$ 80,056,755	\$ 1,580,871	2.0%	\$ 6,293,959	8.5%
<b>Sheriff:</b>									
Office of the Sheriff	\$ 2,444,499	\$ 2,301,753	\$ 1,867,366	\$ 1,450,948	\$ 1,953,178	\$ 502,230	34.6%	\$ (491,321)	-20.1%
Sheriff's Administration & Human Resources	\$ 26,599,136	\$ 28,754,636	\$ 33,161,167	\$ 40,873,542	\$ 32,691,305	\$ (8,182,237)	-20.0%	\$ 6,092,169	22.9%
Office of Professional Review, Professional Integrity & Special Investigations	\$ 7,925,202	\$ 6,588,976	\$ 3,740,163	\$ 3,223,888	\$ 3,186,071	\$ (37,817)	-1.2%	\$ (4,739,131)	-59.8%
Sheriff's Information Technology	\$ 11,432,801	\$ 12,573,398	\$ 19,292,485	\$ 20,666,956	\$ 18,507,952	\$ (2,159,004)	-10.4%	\$ 7,075,151	61.9%
Department of Corrections	\$ 394,258,983	\$ 353,401,625	\$ 350,125,629	\$ 336,289,201	\$ 341,690,354	\$ 5,401,153	1.6%	\$ (52,568,629)	-13.3%
Sheriff's Merit Board	\$ 1,853,276	\$ 1,426,896	\$ 1,374,073	\$ 1,384,902	\$ 1,606,131	\$ 221,229	16.0%	\$ (247,145)	-13.3%
Court Services Division	\$ 100,812,349	\$ 97,541,472	\$ 96,814,768	\$ 102,006,496	\$ 79,040,679	\$ (22,965,817)	-22.5%	\$ (21,771,670)	-21.6%
Police Department	\$ 65,615,864	\$ 62,355,679	\$ 71,721,463	\$ 69,998,591	\$ 71,485,582	\$ 1,486,991	2.1%	\$ 5,869,718	8.9%
Community Corrections Department	\$ -	\$ -	\$ -	\$ 22,972,775	\$ 23,001,566	\$ 28,791	0.1%	\$ 23,001,566	N/A
<b>Total Sheriff</b>	<b>\$ 610,942,110</b>	<b>\$ 564,944,435</b>	<b>\$ 578,097,114</b>	<b>\$ 598,867,299</b>	<b>\$ 573,162,818</b>	<b>\$ (25,704,481)</b>	<b>-4.3%</b>	<b>\$ (37,779,292)</b>	<b>-6.2%</b>
State's Attorney	\$ 122,773,006	\$ 121,271,275	\$ 120,957,852	\$ 130,685,689	\$ 133,689,550	\$ 3,003,861	2.5%	\$ 10,916,544	8.9%
<b>Chief Judge:</b>									
Office of the Chief Judge	\$ 42,026,996	\$ 40,083,102	\$ 43,451,609	\$ 48,552,377	\$ 45,289,963	\$ (3,262,414)	-6.7%	\$ 3,262,967	7.8%
Adult Probation Department	\$ 49,378,299	\$ 50,170,031	\$ 50,379,015	\$ 53,783,847	\$ 52,604,180	\$ (1,179,667)	-2.2%	\$ 3,225,881	6.5%
Public Guardian	\$ 21,350,119	\$ 20,318,564	\$ 21,029,042	\$ 21,733,779	\$ 21,943,610	\$ 209,831	1.0%	\$ 593,491	2.8%
Forensic Clinical Services	\$ 2,835,393	\$ 2,608,135	\$ 2,676,515	\$ 2,910,410	\$ 2,570,356	\$ (340,054)	-11.7%	\$ (265,037)	-9.3%
Social Service	\$ 12,757,925	\$ 13,338,901	\$ 14,921,726	\$ 15,118,081	\$ 16,699,733	\$ 1,581,652	10.5%	\$ 3,941,808	30.9%
Juvenile Probation	\$ 44,721,379	\$ 41,457,793	\$ 40,777,486	\$ 45,840,419	\$ 39,986,666	\$ (5,853,753)	-12.8%	\$ (4,734,713)	-10.6%
Judiciary	\$ 14,250,213	\$ 13,735,150	\$ 13,945,209	\$ 14,796,562	\$ 16,063,460	\$ 1,266,898	8.6%	\$ 1,813,247	12.7%
Juvenile Temporary Detention Center	\$ 68,450,700	\$ 64,411,426	\$ 59,266,067	\$ 63,166,845	\$ 63,036,053	\$ (130,792)	-0.2%	\$ (5,414,647)	-7.9%
<b>Total Chief Judge</b>	<b>\$ 255,771,024</b>	<b>\$ 246,123,102</b>	<b>\$ 246,446,669</b>	<b>\$ 265,902,320</b>	<b>\$ 258,194,021</b>	<b>\$ (7,708,299)</b>	<b>-2.9%</b>	<b>\$ 2,422,997</b>	<b>0.9%</b>
Clerk of the Circuit Court	\$ 100,785,018	\$ 94,657,918	\$ 95,087,767	\$ 100,333,234	\$ 99,401,775	\$ (931,459)	-0.9%	\$ (1,383,243)	-1.4%
Public Administrator	\$ 1,329,541	\$ 1,251,847	\$ 1,266,428	\$ 1,385,101	\$ 1,412,029	\$ 26,928	1.9%	\$ 82,488	6.2%
Fixed Charges	\$ 59,981,265	\$ 77,510,168	\$ 62,213,604	\$ 87,773,152	\$ 67,497,099	\$ (20,276,053)	-23.1%	\$ 7,515,834	12.5%
<b>Total Public Safety Fund</b>	<b>\$ 1,295,864,632</b>	<b>\$ 1,245,963,785</b>	<b>\$ 1,253,302,124</b>	<b>\$ 1,337,146,992</b>	<b>\$ 1,291,320,667</b>	<b>\$ (45,826,325)</b>	<b>-3.4%</b>	<b>\$ (4,543,965)</b>	<b>-0.4%</b>

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 88-89.

## Public Safety Personnel

Cook County's proposed FY2021 budget includes 12,104.7 full-time equivalent (FTE) positions within the Public Safety Fund, and another 197.8 FTEs within the Special Purpose Funds related to public safety activities.<sup>87</sup> This is a total of 12,302.5 FTE public safety positions in FY2021. Public safety accounts for 56.4% of the County's total 21,820.0 positions proposed for FY2021.

Total public safety FTE positions are proposed to decrease from the prior year by 634.5, or 5.0%, which includes a decrease of 619.3 FTEs in the Public Safety Fund and a decrease of 15.2 FTEs in the special purpose funds. Over the five-year period from FY2017 to FY2021, the total number of public safety positions has decreased by 11.2% or 1,547.4 FTEs.

Proposed FTE positions for the Cook County Sheriff in FY2021 total 5,560.0 FTEs in the Public Safety Fund, which is a decrease of 306.0, or 5.2%, from the prior year. The position decrease within the Sheriff's Office is due primarily to the elimination of 263 vacant FTE positions in the Court Services Division. The Sheriff's Administration and Human Resources and Department of Corrections will also decrease slightly. The Cook County Sheriff at a departmental budget hearing said those positions were previously filled and have since been vacated due to staff leaving or retiring. The Office sees on average 30 to 40 retirements per month. The vacant positions remained unfilled due to COVID-19 and the Court Services Division was able to do without the staff due to court closures. Operational shifts were also made to reassign deputies assigned to courthouses into the jail to assist with social distancing requirements at the jail. The Sheriff indicated that many of these eliminated vacant positions will be needed back in the future.<sup>88</sup>

Over the five-year period between FY2017 and FY2021, the number of budgeted positions within the Sheriff's Office has decreased by 1,046.3 FTEs. The majority of the decrease has been within the Department of Corrections. The Department of Corrections budgeted FTEs have decreased by 18.4%, or 785.7 over the past five years. A portion of that decrease, 173.0 positions in FY2021, is the result of creating a separately budgeted Community Corrections Department to oversee the Sheriff's electronic monitoring program for pretrial criminal defendants. At a mid-year FY2019 budget hearing, the Sheriff said he has reduced the number of Department of Corrections officers by 250 in connection with the jail population decrease, which he said was the extent to which corrections officer positions can be cut unless the jail sees another significant decline in detainees.<sup>89</sup>

The State's Attorney's proposed FTE positions within the Public Safety Fund are relatively flat from the prior year at 1,170.4.

The Chief Judge's position count within the Public Safety Fund is proposed to decrease by 251.0 FTEs, or 8.3%, from 3,012.8 in FY2020 to 2,761.8 FTEs in FY2021. The position decreases will take place primarily within the Office of the Chief Judge, Adult Probation Department and

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<sup>87</sup> These position counts exclude grant-funded positions because grant positions are not considered to be permanent.

<sup>88</sup> Statement made by the Cook County Sheriff, Cook County Finance Committee FY2021 Departmental Budget Hearing, November 5, 2020.

<sup>89</sup> Statement made by the Cook County Sheriff, Cook County Finance Committee Meeting on Mid-Year Budget Review, July 17, 2019.

Juvenile Probation. Probation supervision positions will decrease by approximately 90 FTEs.<sup>90</sup> The Chief Judge indicated at a departmental budget hearing that many of those positions, which are vacant, will need to be restored. The Chief Judge said the temporary reduction is workable due to moving electronic monitoring to a GPS system that requires less in-person interaction.<sup>91</sup> In FY2020 positions previously budgeted within the Chief Judge's special revenue funds were absorbed by the Office of the Chief Judge due to legislative fee changes.<sup>92</sup>

Between FY2017 and FY2021, the number of FTEs under the Chief Judge has declined by 179.4, or 5.9%. The Chief Judge's FTE count dropped dramatically in FY2018 to 2,689.4 as a result of budget cuts made after the repeal of the sweetened beverage tax,<sup>93</sup> of which 154.0 were restored through a settlement with the County.

The Clerk of the Circuit Court is budgeted for a proposed decrease of 64.0 FTE positions to 1,256.2 FTEs in FY2021 within the Public Safety Fund, and a decrease of 28.6 FTEs to 116.8 FTEs within the special purpose funds. This totals a decrease of 92.6 FTE positions. The Circuit Court Clerk's Office is reducing the salaries of 83 vacant positions in the Public Safety Fund to \$1 in FY2021, while at the same time 19 FTE positions will be moved from the Public Safety Fund to the Document Storage special purpose fund, resulting in a net decrease of 64 FTEs within the Public Safety Fund.<sup>94</sup> Over the five-year period from FY2017 to FY2021, the total number of Clerk's positions within both the Public Safety and special purpose funds has decreased by 236.7 FTEs, which is a 14.7% decline in positions.

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<sup>90</sup> Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-15.

<sup>91</sup> Statement made by the Cook County Sheriff, Cook County Finance Committee FY2021 Departmental Budget Hearing, November 6, 2020.

<sup>92</sup> Cook County FY2020 Executive Budget Recommendation, Volume 2, p. K-6.

<sup>93</sup> Cook County FY2018 Annual Appropriation Bill, Volume 1, p. 2.

<sup>94</sup> Clerk of the Circuit Court of Cook County, FY2021 Budget Presentation to the Cook County Board of Commissioners, November 5, 2020.

The number of FTE positions across all public safety departments within the Public Safety Fund and Special Purpose Funds between FY2017 and FY2021 are shown in the table below.

Cook County Full-Time Equivalents (FTE) by Fund and Department: FY2017-FY2021									
Department/Control Officer	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
<b>Public Safety Fund</b>									
Justice Advisory Council	7.0	6.1	7.0	8.0	9.8	1.8	22.5%	2.8	40.0%
Medical Examiner	117.4	113.1	113.0	105.0	107.0	2.0	1.9%	(10.4)	-8.9%
Emergency Management Agency	21.0	16.5	7.9	7.0	6.5	(0.5)	-7.1%	(14.5)	-69.0%
Department of Adoption & Family Supportive Services	11.0	10.0	10.0	9.0	-	(9.0)	-100.0%	(11.0)	-100.0%
Department of Facilities Management	524.0	515.1	511.0	521.0	524.0	3.0	0.6%	0.0	0.0%
Public Defender	679.0	676.4	685.0	690.0	694.0	4.0	0.6%	15.0	2.2%
Sheriff:									
Office of the Sheriff	21.0	19.0	13.0	16.0	16.0	0.0	0.0%	(5.0)	-23.8%
Sheriff's Administration & Human Resources	339.6	299.5	339.0	358.0	325.0	(33.0)	-9.2%	(14.6)	-4.3%
Office of Professional Review, Professional Integrity & Special Investigations	99.0	86.0	34.0	33.0	31.0	(2.0)	-6.1%	(68.0)	-68.7%
Sheriff's Information Technology	35.0	28.0	97.0	98.0	91.0	(7.0)	-7.1%	56.0	160.0%
Department of Corrections	4,267.7	3,870.2	3,715.0	3,462.0	3,482.0	20.0	0.6%	(785.7)	-18.4%
Sheriff's Merit Board	28.0	13.0	19.0	17.0	19.0	2.0	11.8%	(9.0)	-32.1%
Court Services Division	1,173.0	1,035.5	1,024.0	1,062.0	799.0	(263.0)	-24.8%	(374.0)	-31.9%
Police Department	643.0	614.0	625.0	629.0	624.0	(5.0)	-0.8%	(19.0)	-3.0%
Community Corrections Department	-	-	-	191.0	173.0	(18.0)	-9.4%	173.0	N/A
<b>Total Sheriff</b>	<b>6,606.3</b>	<b>5,965.2</b>	<b>5,866.0</b>	<b>5,866.0</b>	<b>5,560.0</b>	<b>(306.0)</b>	<b>-5.2%</b>	<b>(1046.3)</b>	<b>-15.8%</b>
State's Attorney	1,134.2	1,126.1	1,150.2	1,170.0	1,170.4	0.4	0.0%	36.2	3.2%
Chief Judge:									
Office of the Chief Judge	463.7	415.8	443.2	505.7	465.6	(40.1)	-7.9%	1.9	0.4%
Adult Probation Department	586.6	518.0	562.0	639.5	541.0	(98.5)	-15.4%	(45.6)	-7.8%
Public Guardian	220.8	208.8	209.0	210.0	206.4	(3.6)	-1.7%	(14.4)	-6.5%
Forensic Clinical Services	29.9	24.3	24.8	24.8	21.8	(3.0)	-12.1%	(8.1)	-27.1%
Social Service	201.0	174.0	189.0	212.0	198.0	(14.0)	-6.6%	(3.0)	-1.5%
Juvenile Probation	421.1	342.0	374.0	373.0	328.7	(44.3)	-11.9%	(92.4)	-21.9%
Judiciary	437.0	437.0	437.0	437.0	437.0	0.0	0.0%	0.0	0.0%
Juvenile Temporary Detention Center	679.0	569.5	617.8	610.8	563.3	(47.5)	-7.8%	(115.7)	-17.0%
<b>Total Chief Judge</b>	<b>3,039.1</b>	<b>2,689.4</b>	<b>2,856.8</b>	<b>3,012.8</b>	<b>2,761.8</b>	<b>(251.0)</b>	<b>-8.3%</b>	<b>(277.3)</b>	<b>-9.1%</b>
Clerk of the Circuit Court	1,433.5	1,334.3	1,270.8	1,320.2	1,256.2	(64.0)	-4.8%	(177.3)	-12.4%
Public Administrator	17.0	15.0	15.0	15.0	15.0	0.0	0.0%	(2.0)	-11.8%
<b>Subtotal Public Safety Fund</b>	<b>13,589.5</b>	<b>12,467.2</b>	<b>12,492.7</b>	<b>12,724.0</b>	<b>12,104.7</b>	<b>(619.3)</b>	<b>-4.9%</b>	<b>(1484.8)</b>	<b>-10.9%</b>
<b>Special Purpose Funds</b>									
Office of the Sheriff	18.0	18.0	18.0	40.0	47.0	7.0	38.9%	29.0	161.1%
State's Attorney	34.2	17.0	21.6	27.6	34.0	6.4	29.6%	(0.2)	-0.6%
Office of the Chief Judge	32.0	33.0	18.5	-	-	0.0	0.0%	(32.0)	-100.0%
Clerk of the Circuit Court	176.2	142.6	149.8	145.4	116.8	(28.6)	-19.1%	(59.4)	-33.7%
<b>Subtotal Special Purpose Funds</b>	<b>260.4</b>	<b>210.6</b>	<b>207.9</b>	<b>213.0</b>	<b>197.8</b>	<b>(15.2)</b>	<b>-7.3%</b>	<b>(62.6)</b>	<b>-24.0%</b>
<b>Total Public Safety FTEs</b>	<b>13,849.9</b>	<b>12,677.8</b>	<b>12,700.6</b>	<b>12,937.0</b>	<b>12,302.5</b>	<b>(634.5)</b>	<b>-5.0%</b>	<b>(1547.4)</b>	<b>-11.2%</b>

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 125-128.

## Public Safety Capital Spending

In addition to the operating appropriations for public safety, the County proposes \$117.4 million in capital improvement spending within the public safety portfolio in FY2021.<sup>95</sup> Public safety capital improvements will constitute 28.0% of the County's total FY2021 proposed capital

<sup>95</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 162.



investments of \$517.1 million.<sup>96</sup> Public safety projects in FY2021 include handicap accessibility improvements, jail division demolitions, security and sound system enhancements at courthouses and various other upgrades and replacements across many facilities including the County's ten courthouses, the jail campus and the Juvenile Temporary Detention Center.<sup>97</sup>

The FY2021 capital improvement plan allocates a small portion of funding (\$130,000) to begin a community-based planning process for Access to Justice Centers, which will house a spectrum of justice and related services.<sup>98</sup>

Two other major initiatives in progress are demolition of outdated and unused portions of the jail campus and a courtroom utilization study.

The County previously announced an initial capital planning strategy to replace the majority (88%) of the Department of Corrections jail facilities with a new Adult Detention Center that is expected to save \$3 billion over a 40-year span.<sup>99</sup> A Real Estate Asset Strategic Realignment Plan conducted in 2014 found that significant repairs were needed at the majority of jail facilities and recommended demolishing and rebuilding facilities rather than investing in existing buildings. Therefore, the County has begun initial steps to demolish outmoded divisions of the jail. Because of the decline in the jail population from approximately 10,000 in 2012 to approximately 6,000 in 2019 and 2020, the County has been able to demolish two jail divisions—Divisions 3 and 17,<sup>100</sup> and is in the process of demolishing Divisions 1 and 1A. These two divisions were set to be demolished in 2020 but COVID-19 delayed the process, so the process for two divisions will continue into FY2021.<sup>101</sup> The capital appropriations for FY2021 include \$31.6 million at the Department of Corrections campus, plus another \$900,000 specifically for jail Divisions 10 and 11.<sup>102</sup>

The County will also continue with the second phase of the Court Utilization Study, led by the National Center for State Courts, to provide the County with options for optimizing our court's system and facilities. The National Center for State Courts completed a first phase of the Courtroom Utilization Study of the criminal courts in Cook County in 2019. The second phase of the study will examine civil and other non-criminal courts in FY2021. The results will then be synthesized to begin development of a Courts Facilities Master Plan.<sup>103</sup> The FY2021 capital plan allocates \$600,000 for Phase II of the Courtroom Utilization Study.

## **COOK COUNTY HEALTH**

This section examines the recommended FY2021 budget of Cook County Health, the name used by the Cook County Health and Hospitals System to emphasize its strategic focus on outpatient care rather than hospital visits. A separate section is devoted to the County's public health

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<sup>96</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 136 & 162.

<sup>97</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 149.

<sup>98</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 147 & 174.

<sup>99</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 148.

<sup>100</sup> Cook County FY2019 Executive Budget Recommendation, Volume 1, p. 144.

<sup>101</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 163.

<sup>102</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 162.

<sup>103</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 163.

system because of its size, oversight by its own Board of Directors and financial presentation as a discrete fund in the County's budget.<sup>104</sup>

Like other public healthcare systems, Cook County Health is dealing with the fiscal impact of the COVID-19 pandemic, which has reduced patient volumes and increased costs.<sup>105</sup> These pressures have been largely alleviated by federal grants and other federal financial assistance, although questions have recently arisen about whether a substantial amount of that money might have to be repaid.

The health system's FY2021 budget mainly reflects longstanding financial difficulties including high levels of unpaid care, declining demand from insured patients and steadily rising costs for personnel and medical supplies and equipment. CountyCare, the system's Medicaid managed care plan, has not generated enough surplus to prop up the rest of the operation. To continue serving all patients, regardless of their ability to pay, the health system is seeking a significant increase from the County in its annual tax allocation for operations.

## Overview

Cook County Health is one of the largest public health systems in the United States.<sup>106</sup> It runs two hospitals—John H. Stroger, Jr. and Provident—and provides outpatient services at the Ambulatory and Community Health Network (ACHN) of clinics and the Ruth M. Rothstein CORE Center, which serves patients with HIV/AIDS.

Other operations include Cermak Health Services and Juvenile Temporary Detention Center (JTDC) Health Services, which provide healthcare for adults held at the Cook County Jail and children detained by the County. In addition, the Cook County Department of Public Health is responsible for public health services in suburban Cook County.

Cook County Health is by far the largest provider of free medical services to the uninsured and underinsured in the State of Illinois.<sup>107</sup> As a result, the health system has historically struggled to cover its costs. The federal Affordable Care Act (ACA) dramatically improved the system's financial condition by providing Medicaid coverage for patients who were previously treated free of charge. Medicaid is a joint federal-state program that finances healthcare for low income individuals.

The ACA paved the way for the creation of CountyCare in 2013 as a pilot program, and the State of Illinois began moving most Medicaid beneficiaries into managed care plans a year later.

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<sup>104</sup> This section focuses on the Health Fund because it represents \$3.39 billion, or 98.5%, of Cook County Health's total FY2021 recommended appropriations of \$3.44 billion. The system also administers \$44.1 million in grants and controls two special purpose funds, the Lead Poisoning Prevention Fund and the Suburban Cook County Tuberculosis Sanitarium District, with total FY2021 proposed appropriations of \$7.0 million.

<sup>105</sup> Moody's Investors Service, *Public hospitals compound coronavirus-driven budget risks for large urban counties*, October 9, 2020.

<sup>106</sup> Cook County Health and Hospitals System of Illinois d/b/a Cook County Health, Financial Report, November 30, 2019, p. 3.

<sup>107</sup> Illinois Department of Public Health, *2018 Annual Hospital Questionnaire Data File*, <https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Documents/2018%20AHQ%20Data%20File.xls>.

CountyCare is now the biggest Medicaid managed care plan in Cook County, with 371,328 members as of September 2020, or 31.4% of total County enrollment of 1,181,512.<sup>108</sup> The plan jumped ahead of Blue Cross and Blue Shield of Illinois by acquiring two other Medicaid managed care plans at the end of 2017. CountyCare has maintained its ranking despite a subsequent wave of consolidations that reduced the number of plans in Cook County to five from seven in the past two years.

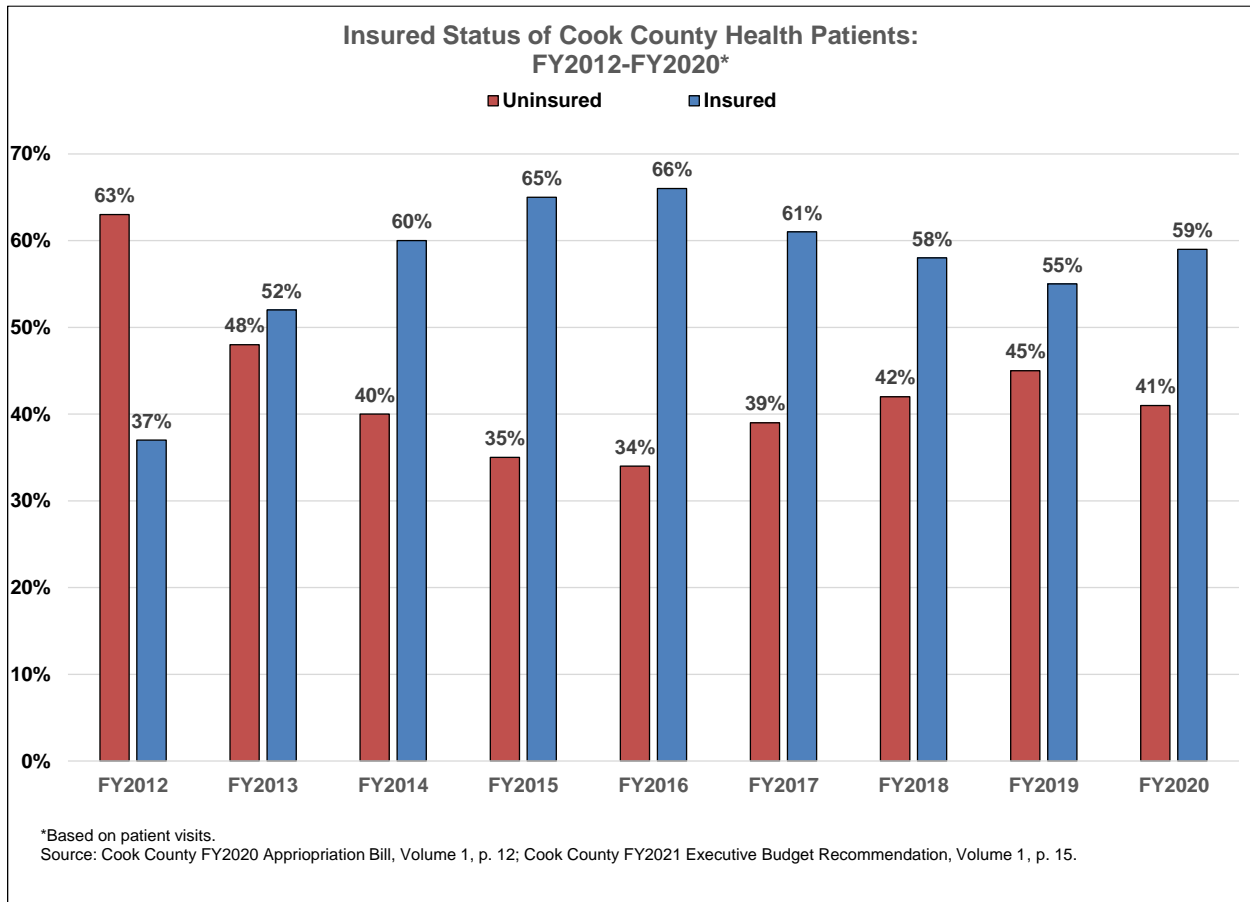
The ACA Medicaid expansion resulted in a dramatic shift in the insurance status of Cook County Health's patients. Before the expansion, over half of the health system's patients were uninsured and generally did not pay for services. Since 2013 Cook County Health has served more insured patients than uninsured patients.

The following chart shows the insurance status of Cook County Health patients from FY2012 to FY2020, based on patient visits. The share of uninsured patients declined from 63% in FY2012 to 34% in FY2015, while the share of insured patients rose commensurately. In the following

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<sup>108</sup> Illinois Department of Healthcare and Family Services, *HealthChoice Illinois Enrollments-September 2020*, <https://www.illinois.gov/hfs/SiteCollectionDocuments/202009MCOEnrollmentReportForWebsite.pdf>.

three years, the percentage of uninsured patients reversed course, rising to a projected 45% in FY2019 before dipping to 41% in FY2020.



A similar trend appeared in Cook County Health’s cost of uncompensated healthcare, medical services for which the system does not receive payment. Uncompensated care comprises charity care, which is provided free of charge to patients who meet certain income criteria, as well as bad debt. Bad debt involves patients’ bills that cannot be collected—often because patients who could have qualified for charity care failed to sign up—and claims that are rejected by insurers and government programs. Uncompensated care costs declined from \$536 million in FY2013 to \$314 million in FY2014, as previously uninsured patients joined CountyCare.

However, the decrease was short-lived. Uncompensated care rose almost 60% to \$502 million from FY2014 through FY2018, with charity care doubling during the period. Cook County Health accounted for 54.5% of all charity care provided by County hospitals in 2018, compared with 37% in 2013.<sup>109</sup> Cook County Health officials have linked the growth in uncompensated care to a number of factors, but they have also acknowledged that the reasons are not precisely clear.<sup>110</sup> Suggested explanations include the increase in Illinois’ uninsured rate since 2016;

<sup>109</sup> Civic Federation calculations based on data from the Illinois Department of Public Health Annual Hospital Questionnaire.

<sup>110</sup> Statement by CEO Dr. John Jay Shannon at Cook County Health Finance Committee meeting, August 23, 2019.

efforts by other hospitals to divert uninsured patients to the Cook County health system; unaffordable, high-deductible health insurance plans offered on the insurance marketplaces created by the ACA; and the cost of operating the Direct Access managed care plan for uninsured patients, which was launched in 2017 at the direction of the County Board. Officials also point to a decline in Medicaid managed care enrollment in Cook County beginning in January 2018, when the State automated procedures for removing beneficiaries from Medicaid rolls if they do not promptly renew their eligibility.<sup>111</sup>

The health system initially predicted that unpaid care costs would remain flat in FY2019.<sup>112</sup> Officials subsequently forecast continued rapid growth, with uncompensated care rising 8.4% to \$544 million in FY2019 and reaching \$590 million in FY2020—well above the FY2013 level.<sup>113</sup> In a presentation to Cook County Health directors in August 2019, health system officials said the increase was unsustainable and could jeopardize the system’s ability to serve patients who could not afford to pay.<sup>114</sup>

But the health system’s financial problems in FY2019 were not tied to steep growth in uncompensated care. As shown in the next chart, unpaid care costs increased by \$8 million, or 1.6%, to \$510 million in FY2019. An increase of \$29 million in bad debt in FY2019 was largely offset by a decrease of \$21 million in charity care. As shown in the next chart, CCH expects

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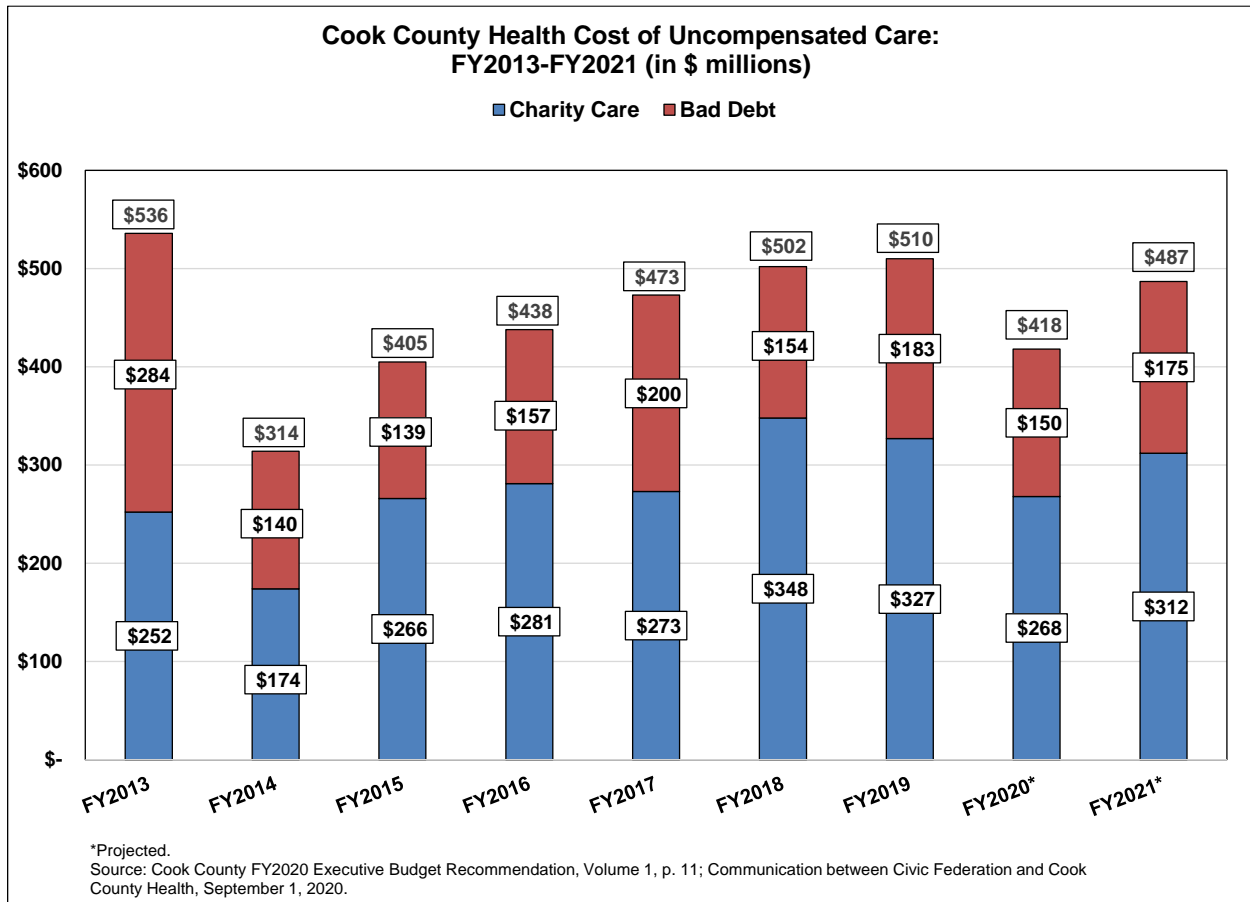
<sup>111</sup> Illinois suspended eligibility redeterminations in 2020 in order to receive enhanced federal Medicaid reimbursements under the Families First Coronavirus Response Act.

<sup>112</sup> Cook County Health and Hospitals System, *FY2019 Proposed Budget and Financial Plan*, August 2018, p. 16, <https://cookcountyhealth.org/wp-content/uploads/Item-VIA-Proposed-CCHHS-FY2019-Preliminary-Budget-08-24-18-final.pdf>.

<sup>113</sup> Cook County Health, *FY2020 Proposed Preliminary Budget and Financial Forecast*, September 13, 2019, p. 7, <https://cookcountyhealth.org/wp-content/uploads/Item-III-A-Proposed-FY20-Prelim-Budget-and-Financial-Forecast-09-13-19.pdf>.

<sup>114</sup> Cook County Health, Finance Committee Meeting, *Report from the CFO*, August 23, 2019, p. 5, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-08-23-19.pdf>. For more information, see the Civic Federation’s blog, “Cook County Health Warns of ‘Unsustainable’ Growth in Unpaid Care,” August 23, 2019, <https://www.civicfed.org/civic-federation/blog/cook-county-health-warns-unsustainable-growth-unpaid-care>.

uncompensated care costs to decline to \$418 million in FY2020, followed by growth to \$487 million in FY2021.



Cook County Health officials have not explained why the uncompensated care forecast missed the mark in FY2019. The decrease in FY2020 is linked to pandemic-related volume declines, which have been particularly steep for uninsured patients. Through August of 2020, visits by paying patients were 7.9% below budgeted levels, while unpaid patient volumes were down by 10.0%.<sup>115</sup> Officials said the relatively large decline in uninsured visits was related to the temporary availability of federal reimbursements for uninsured patients who receive COVID-19 testing and treatment.<sup>116</sup>

Despite relatively flat uncompensated care costs in FY2019, Cook County Health posted a budgetary loss of \$488.8 million for the year that ended on November 30, 2019.<sup>117</sup> The large budget deficit was unexpected because the health system in mid-June of that year had forecast a loss of about \$103 million and said it would largely be closed with new Medicaid

<sup>115</sup> Cook County Health, *CCH Financial Update – August 31, 2020*, October 2020, p. 4, <https://cookcountyhealth.org/wp-content/uploads/5-Item-V-Report-from-Interim-Chief-Business-Officer-10-23-20.pdf>.

<sup>116</sup> Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Finance Committee meeting, October 23, 2020.

<sup>117</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 30.

reimbursements for graduate medical education.<sup>118</sup> County officials said later that the actual results should not have been a surprise because they were based on developments that were well known within the health system.<sup>119</sup> Part of the problem was a timing issue: CountyCare payments from the State that were received in late FY2018 were used to pay off medical claims during FY2019 but were due the previous year, meaning that revenues and expenditures were mismatched. In addition, CountyCare enrollment was lower than expected and fewer CountyCare members were served within the health system rather than in the plan's network of clinics and hospitals, meaning that less revenue remained in the system.

The financial missteps were followed by governance and executive leadership changes at Cook County Health. CCH has had its own Board of Directors since 2008, but the County Board approves the health system's budget, including the annual tax allocation for operations, as well as CCH strategic plans and hospital closures. In late November 2019 the CCH Board voted not to retain the system's chief executive officer.<sup>120</sup> The chief financial officer departed in February 2020,<sup>121</sup> after it was determined that expenses in the FY2020 budget were underestimated by about \$162 million.<sup>122</sup>

The amendments to the health system's governing ordinance in February 2020 tightened the County's control over CCH.<sup>123</sup> Prior to the changes, the CCH Board alone was responsible for choosing the chief executive and determining the CEO's compensation. President Preckwinkle proposed the governance changes, which also included more County authority over health system labor matters and the Board President's direct appointment of one member of the CCH Board.<sup>124</sup>

After a national search, the appointment of a new CEO was approved by the County Board on October 22.<sup>125</sup> Israel Rocha Jr., who has led two hospitals at NYC Health & Hospitals, the country's largest public health system, is expected to take the reins at CCH in December. Speaking to reporters in Chicago after the County Board vote in October, the new CEO said he will work to ensure that CCH is financially resilient so it can survive despite myriad fiscal challenges.<sup>126</sup>

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<sup>118</sup> Cook County 2020 Preliminary Forecast, June 2019, p. 17.

<sup>119</sup> Communication between the Civic Federation and the Cook County Bureau of Finance, February 14, 2020.

<sup>120</sup> Stephanie Goldberg, A.D. Quig and Greg Hinz, "Jay Shannon Out as CEO of Cook County Health," *Crain's Chicago Business*, November 22, 2019.

<sup>121</sup> Stephanie Goldberg and A.D. Quig, "Cook County Health Finance Chief Departs," *Crain's Chicago Business*, February 24, 2020.

<sup>122</sup> Communication between the Civic Federation and Cook County Health, October 14, 2020.

<sup>123</sup> Cook County Board of Commissioners, Item #20-1118, approved on February 27, 2020, <https://cook-county.legistar.com/LegislationDetail.aspx?ID=4306916&GUID=A350C835-21D7-4BEF-B2F8-BFB9009B86B7&Options=Advanced&Search=&FullText=1>.

<sup>124</sup> The other 11 members of the CCH Board are recommended to the Board President by a committee composed of civic, labor and health organizations, including the Civic Federation. The Board President then submits nominations to the County Board. The Civic Federation opposed the governance changes.

<sup>125</sup> Kristen Schorsch, "Meet the New Yorker Tasked with Rescuing Cook County's Public Health System," *WBEZ*, October 22, 2020.

<sup>126</sup> Alice Yin, "New York hospital executive officially appointed as next Cook County Health leader, vows to be 'fiscally, financially resilient,'" *Chicago Tribune*, October 22, 2020.

## Key FY2021 Budget Assumptions

The health system's FY2021 budget is based on average monthly CountyCare membership of 356,343, a decrease of 21,849, or 5.8%, from an estimated average of 378,192 in FY2020.<sup>127</sup> The number of CountyCare members is critical to the health system's budget because Medicaid managed care plans receive a flat monthly fee from the State for each member. The fee, known as a per member per month (PMPM) fee or capitation rate, varies by enrollment group and demographic characteristics such as age. The average PMPM rate is assumed to rise by 2.5% in FY2021.<sup>128</sup>

CountyCare membership was initially projected at 326,034 in FY2020, but Medicaid enrollment has risen significantly due to the pandemic. Across Cook County, the number of Medicaid managed care enrollees increased by 166,518, or 16.4%, to 1,181,513 between March and September of 2020.<sup>129</sup> The increase has been attributed partly to virus-related job losses, which cause individuals to lose employment-based insurance and satisfy income criteria for Medicaid coverage. Additionally, the State suspended annual eligibility verifications for Medicaid beneficiaries—a process that has caused many individuals to lose coverage simply because of uncompleted paperwork. Illinois and other states were required to keep current beneficiaries in the program in order to receive additional Medicaid reimbursements under federal relief legislation enacted in March.<sup>130</sup>

CCH's FY2021 budget assumes that eligibility verifications will resume at the beginning of 2021. The federal law extends through the termination of the COVID-19 public health emergency declared by the Secretary of Health and Human Services, and the public emergency was recently extended until January 20, 2021.<sup>131</sup> CountyCare enrollment is expected to be lower in FY2021 as economic conditions improve and annual eligibility verifications resume.

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<sup>127</sup> Cook County FY2021 Executive Budget Recommendation, Volume 2, p. E-62.

<sup>128</sup> Statement by Interim Chief Business Officer Andrea Gibson at Board of Directors meeting, September 11, 2020.

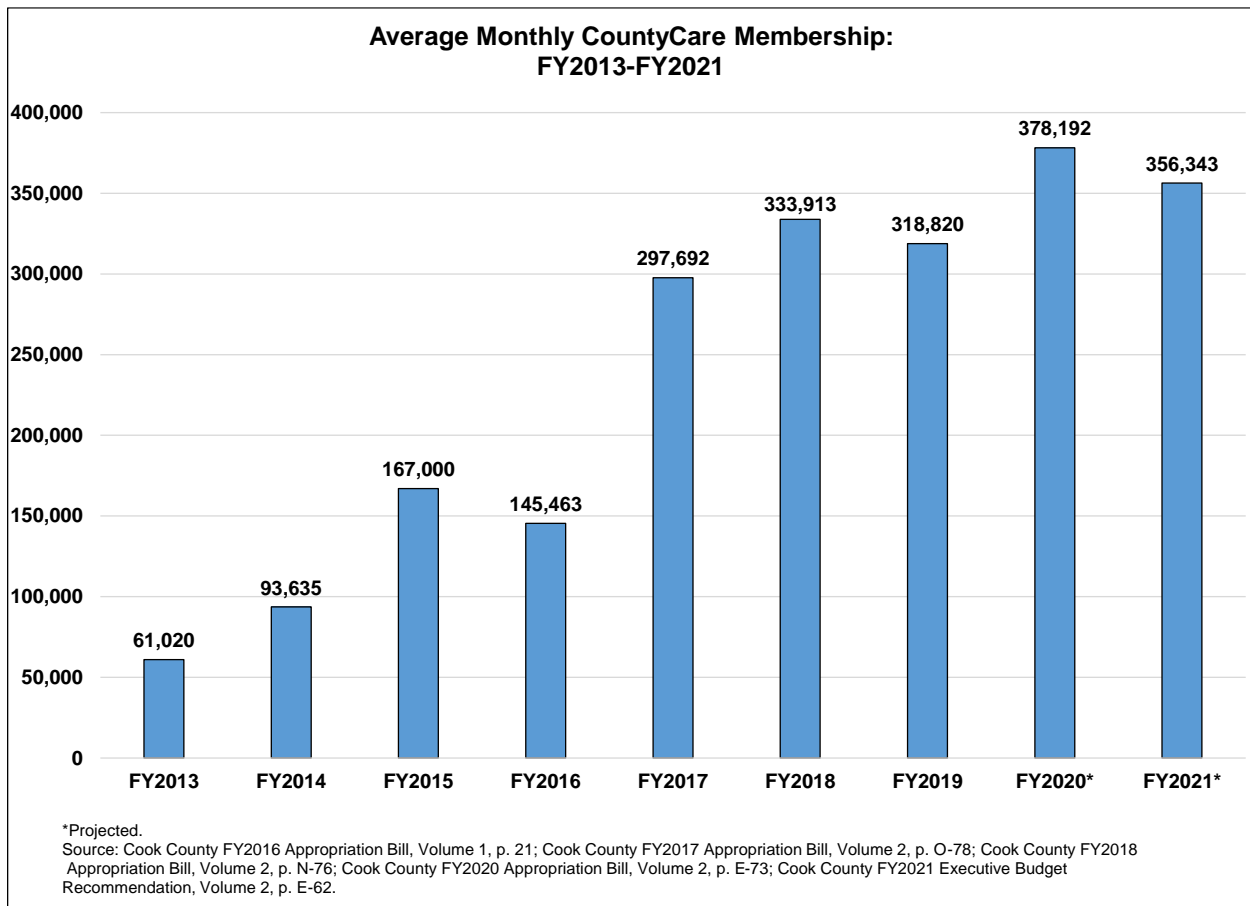
<sup>129</sup> Illinois Department of Healthcare and Family Services, *Total Care Coordination Enrollment for All Programs*, <https://www.illinois.gov/hfs/MedicalProviders/cc/Pages/TotalCCEnrollmentforAllPrograms.aspx>.

<sup>130</sup> Families First Coronavirus Relief Act, H.R. 6201, (Pub. L. 116-127). Section 6008.

<sup>131</sup> Andy Schneider, Georgetown University Health Policy Institute, *Secretary Azar Extends Public Health Emergency Medicaid Protections for Beneficiaries and States*, October 5, 2020.



The following chart shows average monthly CountyCare membership from FY2013 through FY2021. The spike in FY2017 is related to CountyCare’s acquisition of two other managed care plans, Family Health Network and Aetna Better Health of Illinois.



Most of the PMPM revenue received by CountyCare does not remain at Cook County Health, although boosting the health system’s share is a key strategic goal.<sup>132</sup> CountyCare members can get medical services at the System’s own facilities or at the other community clinics and hospitals in the plan’s broad network. In the FY2021 budget, about 10% of CountyCare’s budgeted medical spending is for services provided internally at the health system itself; the remaining 90% of the payments are external claims, paid to network healthcare providers outside of the system.<sup>133</sup> In FY2021 the system’s share of CountyCare spending includes new payments from the State called directed payments that are intended to help cover CCH’s costs.

For the system’s hospitals and clinics, the FY2021 budget assumes that patient volumes will not return to FY2019 levels due to the continued impact of the pandemic.<sup>134</sup> For the first three months of the current fiscal year, through February 2020, patient visits were generally running at

<sup>132</sup> Cook County Health, *Impact 2023: Strategic Plan 2020-2022*, July 26, 2019, p. 15,

<https://cookcountyhealth.org/wp-content/uploads/Item-VIIB-Strategic-Plan-2020-2022-07-26-19-1.pdf>.

<sup>133</sup> Cook County Health, *FY2021 Proposed Budget*, August 2020, p. 19, <https://cookcountyhealth.org/wp-content/uploads/Item-VB-CCH-Proposed-FY21-Preliminary-Budget-Presentation-08-28-20.pdf>.

<sup>134</sup> Communication between the Civic Federation and Cook County Health, October 14, 2020.

or above budgeted levels.<sup>135</sup> The virus-related drop-off began in March and volumes hit a low point in April 2020, after Governor J.B. Pritzker's executive order halting elective surgeries and procedures.<sup>136</sup> Surgical cases, an important source of revenue, were nearly 26% below budget for the five months through April.<sup>137</sup> The State prohibition was lifted in May and volumes have been on the rise, with surgeries closer to normal activity levels than other services.<sup>138</sup> Patients have been slower to return to the system's clinics and emergency rooms. The FY2021 budget assumes that hospital stays, surgical cases and ER visits will be 5.0% below the FY2019 level, while primary and specialty care visits will be off by 5.9%. For surgeries, that target represents a decrease of 13.0% from the budgeted FY2020 level.

## Appropriations

Cook County Health's proposed appropriations for FY2021 total \$3.4 billion, an increase of \$563.4 million, or 19.9%, from \$2.8 billion in the FY2020 budget. The increase mainly reflects the projected rise in CountyCare memberships to 356,343 from the budgeted level of 326,034 in FY2020 and the associated increase in medical claims from healthcare providers in the plan's network. Personnel expenses also increase due to the proposed addition of 141.5 full-time equivalent positions (FTEs), contractual wage increases and other factors.

Proposed FY2021 appropriations for Health Plan Services are \$2.2 billion, an increase of \$429.0 million, or 23.8%, from \$1.8 billion budgeted for FY2020. However, actual spending in FY2020 is expected to be far higher. In the past few months, the health system's appropriations were increased by \$366 million, reflecting the additional State payments received as a result of the significant addition to CountyCare membership discussed above.<sup>139</sup> Health Plan Services appropriations also include \$44.9 million for the system's Medicare Advantage plan, called MoreCare.<sup>140</sup> The plan, created in 2019 in partnership with the nonprofit Medical Home Network, is not yet expected to cover its operating expenses.<sup>141</sup>

Stroger Hospital has FY2021 appropriations of \$779.1 million, an increase of \$107.9 million, or 16.1%, from \$671.1 million in FY2020. Proposed spending in FY2021 reflects an addition of 303.1 positions, as the health system tries to hire more staff workers to reduce costs for overtime pay and replace expensive personnel contracted from outside firms. The increase in FY2021 is also due to certain program and personnel shifts, including the transfer of care integration staff

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<sup>135</sup> Cook County Health, *CCH Financial Update – August 31, 2020 FYTD*, October 2020, pp. 4-7, <https://cookcountyhealth.org/wp-content/uploads/5-Item-V-Report-from-Interim-Chief-Business-Officer-10-23-20.pdf>.

<sup>136</sup> State of Illinois, Executive Order 2020-19, April 1, 2020, <https://www2.illinois.gov/Pages/Executive-Orders/ExecutiveOrder2020-19.aspx>.

<sup>137</sup> Cook County Health, *CCH Financial Update – June 30, 2020 FYTD*, June 2020, p. 15, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-Interim-Chief-Business-Officer-06-22-20.pdf>.

<sup>138</sup> In mid-November, because of increasing hospitalizations for COVID-19, CCH halted elective surgeries that require hospital stays but continued same-day surgeries.

<sup>139</sup> Communication between the Civic Federation and Cook County Health, November 13, 2020. The increase is authorized by an annual County budget resolution permitting CountyCare revenues in excess of the initially budgeted amount to be applied to CountyCare-related spending.

<sup>140</sup> Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-63.

<sup>141</sup> Cook County Health, *FY2021 Proposed Budget*, August 2020, p. 19.

from CountyCare and physical therapy services from Provident Hospital.<sup>142</sup> At the same time, the budget calls for the suspension of Stroger's pediatric inpatient unit for one year due to low volume, with average daily use of less than three beds in 2018.<sup>143</sup>

Provident Hospital's appropriations are \$62.2 million in FY2021, an increase of \$5.9 million, or 10.6%, from \$56.3 million in FY2020 despite a decrease of 26 FTEs. The decrease in positions reflects the health system's plan to downgrade the facility's emergency room to a less heavily staffed standby facility, based on a study showing 85% of ER patients could be seen in an outpatient setting.<sup>144</sup> Provident has not had ambulance service since 2011 and regularly transfers patients with acute medical needs to Stroger or elsewhere. Provident's staffed inpatient beds will be reduced to 10, reflecting average daily use of the facility, which is licensed for 85 beds but has recently staffed 16.<sup>145</sup> However, outpatient services at Provident are being expanded, with the planned opening of a new dialysis center and launching of a colon cancer prevention program. Outpatient visits at Provident grew from 62,000 in 2016 to more than 127,000 in 2018 due to new ophthalmology and mammography services, among other initiatives.<sup>146</sup> Two of the system's clinics, the Woodlawn and Near South Health Centers, will be consolidated into Provident's Sengstacke Health Center, which offers a broader array of services.

Appropriations for the Ambulatory and Community Health Network (ACHN) are proposed to decline by \$3.3 million, or 3.9%, to \$79.9 million in FY2021 from \$83.2 million in FY2020. The clinic network's budgeted positions decline by 88.4 due to the transfer of positions to Provident's Sengstacke clinic and the reduction of vacant positions.<sup>147</sup> In the past two years, the health system opened new clinics in Arlington Heights, North Riverside and Blue Island to replace existing facilities. CCH is also planning to open a new replacement clinic on Chicago's Northwest Side.

CCH plans to end all of its activities at the County's Oak Forest property by the end of FY2020, relieving the system of maintenance and utility expenses at the site.<sup>148</sup> The Oak Forest clinic moved to Blue Island in FY2020 and other operations have either relocated already or have plans to do so. Oak Forest maintenance positions are transferred to Stroger.<sup>149</sup>

Appropriations for Cermak Health Services increase by \$14.8 million, or 18.1%, to \$96.2 million from \$81.5 million in FY2020, reflecting an increase of 93 FTEs. The additional positions are needed to replace expensive contracted personnel and for pandemic-related distancing requirements at the jail. Health services are now required in fourteen locations at the jail instead

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<sup>142</sup> Cook County FY2020 Executive Budget Recommendation, Volume 2, p. E-69.

<sup>143</sup> Cook County Health, *FY21 Proposed Preliminary Budget*, p. 7, <https://cookcountyhealth.org/wp-content/uploads/Item-VB-CCH-Proposed-FY21-Preliminary-Budget-08-28-20.pdf>.

<sup>144</sup> Statement by Interim Chief Business Officer Andrea Gibson at Cook County Health Board meeting, August 28, 2020.

<sup>145</sup> Statement by Interim CEO Debra Carey at Cook County Health Board meeting, September 11, 2020.

<sup>146</sup> Cook County Health, *FY21 Proposed Preliminary Budget*, p. 4.

<sup>147</sup> Cook County FY2021 Executive Budget Recommendation, p. E-41.

<sup>148</sup> Cook County FY2021 Executive Budget Recommendation, p. E-112.

<sup>149</sup> Cook County FY2021 Executive Budget Recommendation, p. E-69.

of nine.<sup>150</sup> Since FY2017, funding for Cermak Health increases by 49.1% and for JTDC Health grow by 137.5%. The increased spending at Cermak Health was part of an effort to meet the terms of a federal consent decree, which was dissolved in June 2018. JTDC Health costs rose beginning in FY2019, when the health system began providing mental health services at the facility as part of the County’s settlement of a budget dispute with the Chief Judge’s Office.

Funding for the Department of Public Health increases by \$6.7 million, or 65.7%, to 17.0 million in FY2021 from \$10.2 million in FY2020 due to COVID-19 related expenses. FTEs funded by the Health Fund remain flat, but the department is also overseeing 374 temporary positions for grant-funded contact tracers. The Core Center’s appropriations are flat in FY2021, but funding increases by 89.8% from FY2017 due to the high cost of medications including AZT and Hepatitis-C drugs.

The following table shows Cook County Health spending from FY2017 through FY2021. Total FY2021 appropriations are up by \$1.8 billion, or 115.6%, from spending of \$1.6 billion in FY2017 due mainly to the growth of CountyCare and higher personnel costs. Appropriations for fixed charges and special purpose appropriations decline by \$72.1 million, or 64.0%, from FY2017 to FY2021 because of an accounting change. In FY2018, the largest component—health insurance—was shifted to departmental budgets as a personal service cost.

Cook County Health Expenditures and Appropriations by Department: FY2017-FY2021 (in \$ thousands)									
Department	FY2017 Exps.	FY2018 Exps.	FY2019 Exps.	FY2020 Adopted Approps.	FY2021 Proposed Approps.	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Health System Administration	\$ 100,594.8	\$ 62,776.1	\$ 50,608.8	\$ 44,141.2	\$ 49,932.1	\$ 5,790.9	13.1%	\$ (50,662.7)	-50.4%
Cermak Health Services	\$ 64,568.0	\$ 81,651.4	\$ 81,975.5	\$ 81,491.1	\$ 96,242.4	\$ 14,751.3	18.1%	\$ 31,674.4	49.1%
JTDC Health Services	\$ 3,518.1	\$ 4,560.0	\$ 5,796.4	\$ 7,231.2	\$ 8,356.9	\$ 1,125.7	15.6%	\$ 4,838.8	137.5%
Provident Hospital	\$ 47,785.1	\$ 52,392.4	\$ 54,803.3	\$ 56,289.1	\$ 62,232.0	\$ 5,942.9	10.6%	\$ 14,446.9	30.2%
Ambulatory and Community Health Network	\$ 64,256.6	\$ 98,739.0	\$ 108,552.4	\$ 83,181.8	\$ 79,915.2	\$ (3,266.6)	-3.9%	\$ 15,658.6	24.4%
CORE Center	\$ 12,965.3	\$ 19,612.1	\$ 23,492.1	\$ 23,288.8	\$ 24,612.8	\$ 1,324.0	5.7%	\$ 11,647.5	89.8%
Department of Public Health	\$ 9,522.0	\$ 10,507.1	\$ 10,739.4	\$ 10,234.8	\$ 16,961.8	\$ 6,727.0	65.7%	\$ 7,439.8	78.1%
Health Plan Services	\$ 560,644.9	\$ 1,548,819.8	\$ 1,903,587.8	\$ 1,800,366.7	\$ 2,229,393.4	\$ 429,026.7	23.8%	\$ 1,668,748.5	297.6%
Stroger Hospital	\$ 585,037.5	\$ 700,702.4	\$ 747,482.3	\$ 671,141.2	\$ 779,088.5	\$ 107,947.3	16.1%	\$ 194,051.0	33.2%
Oak Forest Health Center	\$ 9,718.1	\$ 11,599.6	\$ 9,704.6	\$ 7,323.1	\$ -	\$ (7,323.1)	-100.0%	\$ (9,718.1)	-100.0%
Fixed Charges and Special Purpose Appropriations	\$ 112,776.1	\$ 29,257.6	\$ 32,472.2	\$ 39,307.3	\$ 40,648.1	\$ 1,340.8	3.4%	\$ (72,128.0)	-64.0%
<b>Total*</b>	<b>\$1,571,386.4</b>	<b>\$2,620,617.6</b>	<b>\$3,029,215.0</b>	<b>\$2,823,996.3</b>	<b>\$3,387,383.2</b>	<b>\$ 563,386.9</b>	<b>19.9%</b>	<b>\$ 1,815,996.8</b>	<b>115.6%</b>

\*Totals may not sum due to rounding.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 89.

The table above reflects the health system’s adopted spending for FY2020 when this year’s budget was passed in November 2019. According to the latest estimate available, from June 2020, Cook County Health was expected to spend \$3.2 billion during the current fiscal year, an increase of \$383.0 billion from the adopted budget of \$2.8 billion.<sup>151</sup> The difference is due

<sup>150</sup> Cook County Health, *CEO Report*, July 31, 2020, <https://cookcountyhealth.org/wp-content/uploads/Item-VI-Report-from-Interim-CEO-07-31-20.pdf>.

<sup>151</sup> Cook County 2021 Preliminary Forecast, p. 30.

mainly to the increase in CountyCare memberships and claims expenses, as previously discussed.

The following table compares FY2020 budgeted appropriations with spending projections for FY2020 as of June 2020. At that time, the system planned to reduce expenses by \$60.6 million through contract reductions and other measures to close an anticipated budget gap for FY2020.<sup>152</sup>

<b>Cook County Health Appropriations by Department: FY2020 Adopted vs. Projected (in \$ thousands)</b>				
<b>Department</b>	<b>FY2020 Adopted</b>	<b>FY2020 Projected*</b>	<b>\$ Difference</b>	<b>% Difference</b>
Health System Administration	\$ 44,141.2	\$ 45,218.3	\$ 1,077.1	2.4%
Cermak Health Services	\$ 81,491.1	\$ 81,282.0	\$ (209.1)	-0.3%
JTDC Health Services	\$ 7,231.2	\$ 7,443.6	\$ 212.4	2.9%
Provident Hospital	\$ 56,289.1	\$ 55,250.9	\$ (1,038.2)	-1.8%
Ambulatory and Community Health Network	\$ 83,181.8	\$ 85,430.9	\$ 2,249.1	2.7%
CORE Center	\$ 23,288.8	\$ 23,345.2	\$ 56.4	0.2%
Department of Public Health	\$ 10,234.8	\$ 10,405.4	\$ 170.6	1.7%
Health Plan Services	\$ 1,800,366.7	\$ 2,130,055.3	\$ 329,688.6	18.3%
Stroger Hospital	\$ 671,141.2	\$ 720,787.5	\$ 49,646.3	7.4%
Oak Forest Health Center	\$ 7,323.1	\$ 8,479.6	\$ 1,156.5	15.8%
Fixed Charges and Special Purpose Appropriations	\$ 39,307.3	\$ 39,306.9	\$ (0.4)	0.0%
<b>Total**</b>	<b>\$ 2,823,996.3</b>	<b>\$ 3,207,005.7</b>	<b>\$ 383,009.4</b>	<b>13.6%</b>

\*As of June 2020.

\*\*Totals may not sum due to rounding.

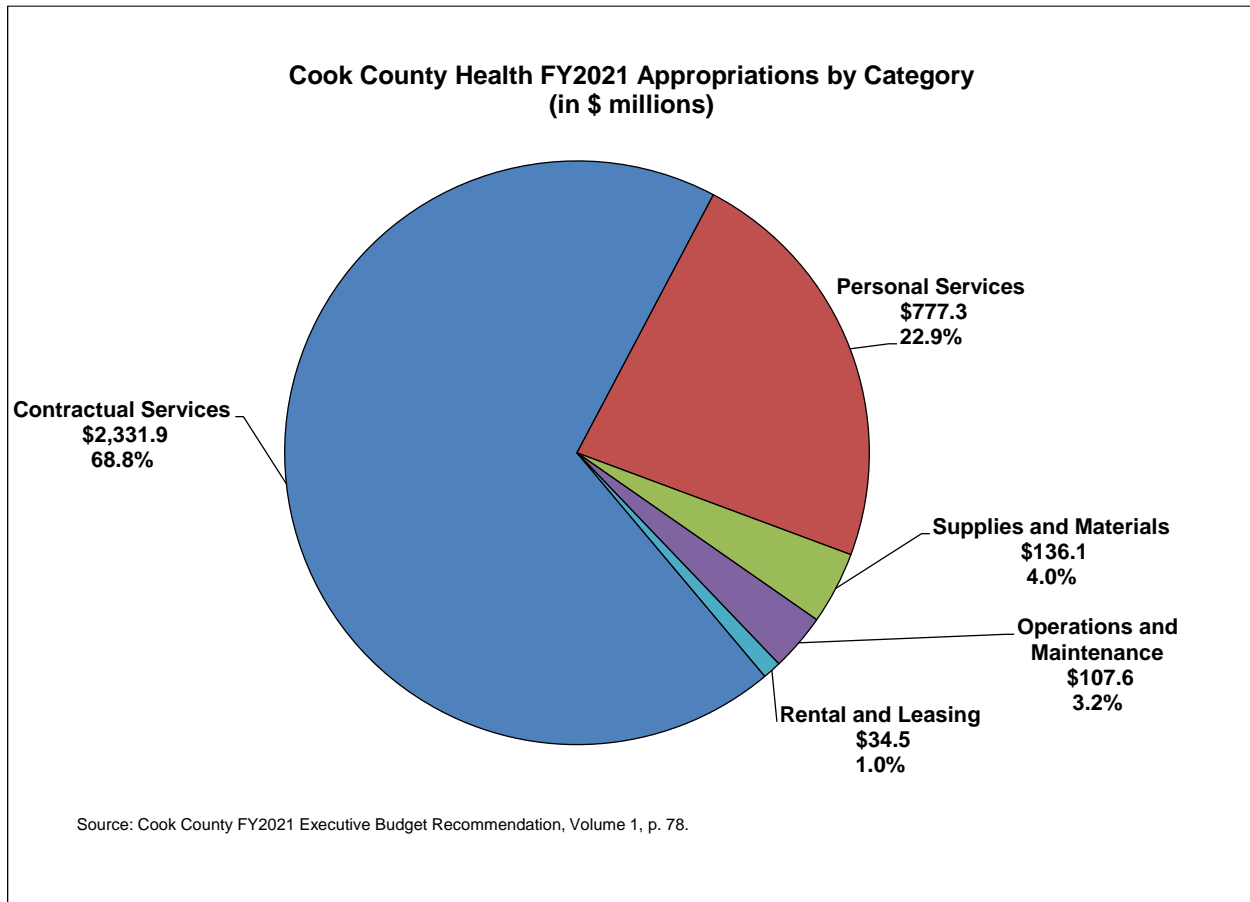
Source: Cook County FY2020 Appropriation Bill, Volume 1, p. 21; Cook County 2021 Preliminary Forecast, p. 30.

Due to the growth of CountyCare, which relies heavily on outside healthcare providers and administrators, the health system now spends more on contractual services than on personal services. Contractual services account for 68.8% of appropriations in FY2021, up from 15.9% in FY2013.<sup>153</sup> Personal services represent 22.9% of FY2021 appropriations, compared with 64.7%

<sup>152</sup> Cook County 2021 Preliminary Forecast Briefing, June 26, 2020, p.19.

<sup>153</sup> Cook County FY2013 Appropriation Bill, Volume 1, pp. 30-31.

in FY2013. The third largest spending category is supplies and materials, at 6.2% of FY2021 appropriations. The following chart shows FY2021 appropriations by category.



## Resources

Cook County Health’s operating revenues come mainly from Medicaid, the joint federal-state program that finances healthcare services for low income people. The County bridges the gap between the system’s projected expenditures and operating revenues through an annual tax allocation that since FY2019 has consisted only of revenues from property taxes.

### *Operating Revenues*

The health system’s operating revenues are expected to increase by \$523.4 million, or 19.1%, to \$3.3 billion in FY2021 from an adopted projection of \$2.7 billion in FY2020. However, as discussed above, the budgeted revenue projection for FY2020 is out of date due to the growth in CountyCare payments, decline in patient service revenue and receipt of virus-related federal assistance.

Health plan services revenues increase by \$471.2 million to \$2.2 billion in FY2021 from \$1.7 billion in the adopted FY2020 budget. The increase reflects the budgeted level of CountyCare membership in FY2020, which has since been raised, and the projected increase in State rates.

Managed care revenues in FY2021 also include about \$35 million from the health system's new Medicare Advantage plan and \$135 million in directed payments from the State.<sup>154</sup>

Patient fee revenue not related to CountyCare declines by 3.7% to \$664.9 million in FY2021 from \$690.7 million in the FY2020 adopted budget. This revenue generally consists of payments by Medicaid, Medicare and other managed care organizations whose members use health system services. The health system expects to receive \$10 million in FY2021 from a new Illinois program that is scheduled to begin providing health benefits for undocumented seniors in December.<sup>155</sup>

CCH forgoes potential revenue when private insurers and government programs deny medical claims. In reports issued in 2018 and 2019, Cook County's Inspector General found that the health system lost \$270 million in revenue between FY2015 and mid-FY2019 because of claims denied due to faulty procedures and employee errors.<sup>156</sup> System officials have disputed those numbers but said steps are being taken to prevent denial of claims. The FY2021 budget includes \$10 million from reduced claim denials and other revenue collection strategies.<sup>157</sup>

Cook County Health also receives supplemental Medicaid payments—not tied to individual patient care—designed for hospitals that serve low income and uninsured patients. These payments, totaling \$289 million in the FY2021 budget, consist of Disproportionate Share Hospital (DSH) payments and payments under a provision of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).<sup>158</sup>

States make DSH payments to hospitals based on the amount of uncompensated care provided to patients who are uninsured or covered by Medicaid. The ACA would have reduced annual DSH payments beginning in 2014, but the reductions have repeatedly been delayed by Congress—most recently through December 11, 2020.

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.<sup>159</sup> Of the total allocation, about 65% goes to the State and 35% is kept by the health system.

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<sup>154</sup> Cook County Health, *FY2021 Proposed Budget*, August 2020, pp. 19-23.

<sup>155</sup> Cook County Health, *FY2021 Proposed Budget*, August 2020, p. 22.

<sup>156</sup> Cook County Office of the Independent Inspector General, *Bad Debt Expense-Supplement*, August 30, 2019, [https://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG17-0421\\_\(Bad\\_Debt\\_Expense-Supplement\).pdf](https://opendocs.cookcountyil.gov/inspector-general/public-statements/IIG17-0421_(Bad_Debt_Expense-Supplement).pdf).

<sup>157</sup> Cook County Health, *FY2021 Proposed Budget*, August 2020, pp. 28-29.

<sup>158</sup> Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, 701(d) (2).

<sup>159</sup> Cook County Health and Hospitals System, *An Overview of System Medicaid Payment Arrangements*, October 19, 2012, p. 13.

The following table shows operating revenues from FY2017 through FY2021. Over the five-year period, operating revenues increase by \$1.8 billion, or 129.8%, from \$1.4 billion in FY2017, largely because of CountyCare.

Cook County Health Operating Revenues FY2017-FY2021 (in \$ thousands)									
	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Adopted	FY2021 Proposed	Two-Year Change \$	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Health Plan Services	\$ 816,435.7	\$1,817,910.8	\$1,648,555.3	\$1,749,229.9	\$2,220,403.2	\$ 471,173.3	26.9%	\$ 1,403,967.5	172.0%
Patient Fees	\$ 288,106.4	\$ 431,844.1	\$ 474,798.8	\$ 690,561.5	\$ 664,905.0	\$ (25,656.5)	-3.7%	\$ 376,798.6	130.8%
BIPA <sup>1</sup>	\$ 140,000.0	\$ 136,043.8	\$ 133,306.3	\$ 132,300.0	\$ 132,300.0	\$ -	0.0%	\$ (7,700.0)	-5.5%
DSH <sup>2</sup>	\$ 156,986.9	\$ 161,357.0	\$ 184,827.4	\$ 156,700.0	\$ 158,570.0	\$ 1,870.0	1.2%	\$ 1,583.1	1.0%
Miscellaneous <sup>3</sup>	\$ 18,952.0	\$ 16,334.2	\$ 11,356.5	\$ 12,500.0	\$ 15,000.0	\$ 2,500.0	20.0%	\$ (3,952.0)	-20.9%
Graduate Medical Education	\$ -	\$ -	\$ -	\$ -	\$ 73,500.0	\$ 73,500.0	na	\$ 73,500.0	na
Federal Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	na	\$ -	na
<b>Total<sup>4</sup></b>	<b>\$1,420,481.0</b>	<b>\$2,563,489.9</b>	<b>\$2,452,844.3</b>	<b>\$2,741,291.4</b>	<b>\$3,264,678.3</b>	<b>\$ 523,386.9</b>	<b>19.1%</b>	<b>\$ 1,844,197.3</b>	<b>129.8%</b>

<sup>1</sup>Payments under the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

<sup>2</sup>Disproportionate Share Hospital payments.

<sup>3</sup>Includes Public Health Department fees and revenue from the cafeteria, medical records, parking and physician's fees, as well as investment income.

<sup>4</sup>Totals may not sum due to rounding.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 30; Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 21.

The projection for FY2020 operating revenue has increased significantly since this year's budget was passed in November 2019. The latest projection, from June 2020, shows health system operating revenue of \$3.1 billion, an increase of \$348.3 million, or 12.7%, from the initial estimate of \$2.7 billion.<sup>160</sup> The higher projection mainly reflects additional CountyCare payments and federal pandemic-related assistance, partly offset by a drop in patient fees. In June 2020, CountyCare revenues were expected to exceed initial projections by \$334.6 million and new federal funding was expected to bring in \$153.4 million. Patient fees were projected to decline by \$274.5 million, or 39.8%, due to decreased volumes.

Cook County Health Operating Revenues: FY2020 Adopted vs. Projected (in \$ millions)				
	FY2020 Adopted	FY2020 Projected <sup>1</sup>	\$ Difference	% Difference
Health Plan Services	\$ 1,749,229.9	\$ 2,083,785.8	\$ 334,555.9	19.1%
Patient Fees	\$ 690,561.5	\$ 416,019.9	\$ (274,541.6)	-39.8%
BIPA <sup>2</sup>	\$ 132,300.0	\$ 156,162.5	\$ 23,862.5	18.0%
DSH <sup>3</sup>	\$ 156,700.0	\$ 192,732.4	\$ 36,032.4	23.0%
Miscellaneous <sup>4</sup>	\$ 12,500.0	\$ 10,396.2	\$ (2,103.8)	-16.8%
Graduate Medical Education	\$ -	\$ 77,052.5	\$ 77,052.5	na
Federal Government	\$ -	\$ 153,392.7	\$ 153,392.7	na
<b>Total</b>	<b>\$ 2,741,291.4</b>	<b>\$ 3,089,542.0</b>	<b>\$ 348,250.6</b>	<b>12.7%</b>

<sup>1</sup>As of June 2020.

<sup>2</sup>Payments under the Medicare, Medicare and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA).

<sup>3</sup>Disproportionate Share Hospital payments.

<sup>4</sup>Includes Public Health Department fees and revenue from cafeteria, medical records, parking income and pharmacy service charges.

Source: Cook County FY2020 Appropriation Bill, Volume 1, p. 21; Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 30.

Cook County Health officials have recently warned that a significant portion of the new federal funding might be in jeopardy.<sup>161</sup> At a CCH Finance Committee meeting on October 23, Interim

<sup>160</sup> Cook County 2021 Executive Budget Recommendation, Volume 1, p. 30.

<sup>161</sup> Cook County Health, *CCH Financial Update – August 31, 2020 FYTD*, October 2020, pp. 2-3.



Chief Business Officer Andrea Gibson told directors that \$50 million to \$100 million of the \$153.4 million received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act might have to be repaid next year because of a revised government interpretation of how revenue loss is calculated. The money was intended to help compensate for the virus-related decline in patient activity. Additionally, about \$33 million in enhanced DSH and BIPA payments might have to be returned or treated as an advance due to limits on available federal funding.

### County Tax Allocation

In FY2021 the health system’s proposed tax allocation for operations from the County increases by \$40.0 million, or 48.4%, to \$123.7 million from \$82.7 billion in FY2020 and consists solely of property taxes.<sup>162</sup> CCH’s budget includes the Department of Public Health and health services at the County Jail and the JTDC, which generate little or no revenue. The combined appropriations for those operations total \$121.6 million in FY2021 million, about equal to the tax allocation.

In addition to the annual tax allocation for operations, the County pays for health system-related pension costs and debt service. In FY2021 these additional County contributions total \$317.1 million, consisting of \$176.4 million in statutorily required and supplemental pension payments and \$140.7 million in debt service payments. The County also plans to contribute about \$9 million for health system capital equipment expense in FY2021.<sup>163</sup>

The following table shows the County’s tax allocation for the health system from FY2017 through FY2021. The total tax allocation increases by \$9.6 million, or 2.3%, over the five-year period. However, total County financial support has declined significantly from \$594.2 million in FY2009 due to the reduction in the direct operating allocation from that year’s \$481.4 million.<sup>164</sup>

Cook County Tax Allocation to Cook County Health: FY2017-FY2021 (in \$ millions)									
	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Operating Tax Allocation	\$ 111,500.0	\$ 72,704.9	\$ 72,704.9	\$ 82,704.9	\$ 122,704.9	\$40,000.0	48.4%	\$ 11,204.9	10.0%
Net Statutory Pension Payments	\$ 68,444.0	\$ 64,104.7	\$ 67,285.3	\$ 68,898.6	\$ 60,370.9	\$ (8,527.7)	-12.4%	\$ (8,073.1)	-11.8%
Supplemental Pension Payments	\$116,294.1	\$107,150.6	\$112,501.4	\$107,537.4	\$102,261.5	\$ (5,275.9)	-4.9%	\$ (14,032.6)	-12.1%
Debt Service Payments	\$115,903.7	\$122,017.8	\$136,741.2	\$140,664.9	\$136,408.4	\$ (4,256.5)	-3.0%	\$ 20,504.7	17.7%
<b>Total*</b>	<b>\$412,141.7</b>	<b>\$365,978.1</b>	<b>\$389,232.9</b>	<b>\$399,805.9</b>	<b>\$421,745.6</b>	<b>\$ 21,939.7</b>	<b>5.5%</b>	<b>\$ 9,603.9</b>	<b>2.3%</b>

\*Totals may not sum due to rounding.

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 49.

In the County budget, the health system has been shown as an enterprise fund rather than a component of the County’s General Fund since FY2014. This designation mirrors the accounting classification used in the County’s Comprehensive Annual Financial Report (CAFR) and is intended to emphasize the growing financial independence of the health system.<sup>165</sup>

<sup>162</sup> Cook County FY2020 Executive Budget Recommendation, Volume 1, p. 21.

<sup>163</sup> Statement by Interim Chief Business Officer Andrea Gibson and Cook County Health Board meeting, September 11, 2020.

<sup>164</sup> Cook County FY2014 Executive Budget Recommendation, Volume 1, p. 40.

<sup>165</sup> Cook County FY2014 Executive Budget Recommendation, Resident’s Guide, p. 4.

Enterprise funds are used to account for government activities that are run on a business-like basis, charging fees to the public for the services consumed.<sup>166</sup> Activities accounted for through enterprise funds are typically expected to be self-supporting or nearly so.<sup>167</sup> Even though the health system is not entirely self-supporting, maintaining such activities as enterprise funds provides useful information on the amount of subsidy required to support them.

## Personnel

Despite the proposed layoff of 130 employees,<sup>168</sup> the health system's FY2021 budget includes 141.5 additional full-time equivalent positions (FTEs).<sup>169</sup> Personnel appropriations (including overtime wages and health insurance expenses, but not pension contributions) increase by \$89.1 million, or 12.9%, to \$777.3 million in FY2021 from a budgeted \$688.2 million in FY2020.<sup>170</sup>

The change in positions in FY2021 is intended to align staffing with patient activity, ensure that care is provided in the most appropriate setting and reduce costs.<sup>171</sup> At Cermak Health Services, FTEs increase by 93.0 to 668.0, reflecting the need to staff more locations at the jail due to social distancing requirements and an effort to replace expensive contracted personnel with health system employees. Stroger's positions increase by 303.1 to 4,189.3 in FY2021, with changes due to the transfer of 125 care integration management personnel from Health Plan Services; planned replacement of contracted workers with employees; and suspension of the pediatric inpatient unit. Health Plan Services' FTEs appear to decline from 407.0 to 341.0 but actually increase by 59.0 after accounting for the shifting of integrated care personnel to Stroger. Positions in the Department of Public Health do not include 374 FTEs funded by a contact tracing grant that expires on June 30, 2021.<sup>172</sup>

The number of positions at Provident declines by 26.0 to 375.0 because of the proposed downgrading of the ER, which is used mainly by patients who could be seen in urgent care, reduction in staffing for the hospital's little used inpatient beds and shifting of physical therapy from Provident to Stroger. The ACHN's positions decline by 88.4 due to the closing of the Woodlawn and Near South clinics and shifting of personnel to Provident and elsewhere in the health system. No positions remain at Oak Forest because all CCH activities are expected to leave the site by the end of FY2020.

The following table shows health system FTEs from FY2017 to FY2021. Over the five-year period, Managed Care staffing has increased from 99.0 FTEs to 341.0 FTEs, reflecting the growth in CountyCare. The JTDC's staffing rose by 57.4%, from 38.0 FTEs to 59.8 FTEs, as the

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<sup>166</sup> Steven A. Finkler, Robert M. Purtell, Thad D. Calabrese and Daniel L. Smith, *Financial Management for Public, Health, and Not-for-Profit Organizations* (Upper Saddle River, N.J.: Pearson Education Inc., 2013), p. 448.

<sup>167</sup> Robert L. Bland, *A Revenue Guide for Local Government* (Washington, D.C.: International City/County Management Association, 2010), p. 205.

<sup>168</sup> Cook County Health, FY2021 Proposed Budget, August 2020, p. 12.

<sup>169</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 127.

<sup>170</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 79.

<sup>171</sup> Statements by Interim CEO Debra Carey and Chief Interim Business Officer Andrea Gibson at Cook County Health Board meeting, September 11, 2020.

<sup>172</sup> Cook County Health FY2021 Budget, August 2020, p. 2.

health system began providing mental health services at the detention facility in FY2019.

Cook County Health FTEs: FY2017-FY2021									
	FY2017 Adopted	FY2018 Adopted	FY2019 Adopted	FY2020 Adopted	FY2021 Proposed	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Health System Administration	503.0	504.7	366.0	328.0	305.0	(23.0)	-7.0%	(198.0)	-39.4%
Cermak Health Services	637.5	653.0	631.0	575.0	668.0	93.0	14.2%	30.5	4.8%
JTDC Health Services	38.0	33.0	65.0	62.0	59.8	(2.2)	-6.7%	21.8	57.4%
Provident Hospital	339.0	328.0	377.8	401.0	375.0	(26.0)	-7.9%	36.0	10.6%
Ambulatory and Community Health Network	847.0	828.0	848.8	401.0	312.6	(88.4)	-10.7%	(534.4)	-63.1%
CORE Center	78.0	74.0	75.0	71.0	71.0	0.0	0.0%	(7.0)	-9.0%
Department of Public Health	108.0	110.0	102.0	118.0	118.0	0.0	0.0%	10.0	9.3%
Health Plan Services	99.0	179.0	495.0	407.0	341.0	(66.0)	-36.9%	242.0	244.4%
Stroger Hospital	4,133.4	4,119.0	4,240.8	4,189.3	4,492.4	303.1	7.4%	359.0	8.7%
Oak Forest Health Center	82.0	66.0	37.8	49.0	0.0	(49.0)	-74.2%	(82.0)	-100.0%
<b>Total</b>	<b>6,864.9</b>	<b>6,894.7</b>	<b>7,239.2</b>	<b>6,601.3</b>	<b>6,742.8</b>	<b>141.5</b>	<b>2.1%</b>	<b>(122.1)</b>	<b>-1.8%</b>

Source: Cook County FY2021 Executive Budget Recommendation, Volume 1, p.127.

The health system’s proposed layoffs affect 70 union and 60 non-union employees and include 46 non-union layoffs in June 2020. CCH officials have said they are attempting to minimize job losses through resignations and filling of system vacancies.<sup>173</sup>

There were 590 vacancies in early October 2020.<sup>174</sup> The FY2021 budget lowers the turnover adjustment—the budgeted reduction in spending on salaries to account for vacated positions—so funding is available to fill vacancies. The turnover adjustment declines to \$47.9 million, or 7.5% of total salaries, in FY2021 from \$91.6 million, or 14.9% in FY2020.<sup>175</sup> When a new finance team was installed in February 2020, officials found payroll projections were among about \$162 million in expenses that were insufficiently funded in the FY2020 budget. CCH did not provide the projected number of vacancies at the end of FY2021.

As a result of the large number of vacancies as well as pandemic-related needs, the health system has been unable to meet its goals for reining in overtime pay. Overtime expenses are currently running at 9% of payroll,<sup>176</sup> compared with an FY2020 budget goal of 5.0% and an industry benchmark of 2%.<sup>177</sup> The FY2021 budget assumes overtime expenses will decline to 6.0% of payroll.<sup>178</sup>

<sup>173</sup> Statement by Chief Interim Business Officer Andrea Gibson at Cook County Finance Committee meeting, November 11, 2020.

<sup>174</sup> Communication between the Civic Federation and Cook County Health, October 14, 2020.

<sup>175</sup> Communication between the Civic Federation and Cook County Health, October 14, 2020.

<sup>176</sup> Statement by Chief Interim Business Officer Andrea Gibson at Cook County Finance Committee meeting, November 11, 2020.

<sup>177</sup> Cook County Health, *Report from the CFO*, October 18, 2019, p. 9, <https://cookcountyhealth.org/wp-content/uploads/Item-V-Report-from-CFO-10-18-19.pdf>.

<sup>178</sup> Statement by Chief Interim Business Officer Andrea Gibson at Cook County Finance Committee meeting, November 11, 2020.

## FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.<sup>179</sup> Fund balance is an important indicator of financial stability for local governments. It represents the difference between the assets and liabilities in a governmental fund. Fund balance in a governmental fund differs from net assets typically included in financial reporting in that it includes only a subset of assets and liabilities that are not legally restricted from use. It is a more measure of liquidity than of net worth.<sup>180</sup> Fund balance can be thought of as the savings account of the local government.

This section discusses Cook County's fund balance levels based on the most recent audited data from the County's FY2019 Comprehensive Annual Financial Report.

### Components of Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) sets guidelines for government reporting of fund balance in audited financial statements. Previously, governments reported fund balance in two categories: *reserved*, meaning not available for appropriation, and *unreserved*, or resources available for appropriation without any external legal restrictions or constraints.<sup>181</sup> GASB Statement No. 54 shifted the focus of fund balance reporting from the availability of fund resources for budgeting purposes to fund balance classifications that place different levels of constraint on the use of the resources.<sup>182</sup>

GASB Statement No. 54 created five components of fund balance that indicate the extent to which resources are restricted from use. Not every government or governmental fund will report all components. The five components are:

- *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;
- *Restricted fund balance* – net fund resources subject to legal restrictions that are externally enforceable, including restrictions imposed by constitution, creditors or laws and regulations of non-local governments;
- *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;
- *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

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<sup>179</sup> Government Finance Officers Association, *Appropriate Level of Unrestricted Fund Balance in the General Fund* (Adopted October 2009).

<sup>180</sup> Stephen J. Gauthier, *The New Fund Balance*, Chicago: GFOA, 2009, p. 34.

<sup>181</sup> Steven Gauthier, "Fund Balance: New and Improved," *Government Finance Review*, April 2009.

<sup>182</sup> Governmental Accounting Standards Board, *Summary of Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions* (issued February 2009).

fund balance used to fill the gap between appropriations and estimated revenues for the following year, would be categorized as assigned fund balance; and

- *Unassigned fund balance* – in the General or Corporate Fund, the remaining surplus of net resources after funds have been identified in the four categories above.<sup>183</sup>

The Civic Federation’s analysis of Cook County’s fund balance focuses on the three fund balance classifications that make up *unrestricted* fund balance: *committed*, *assigned* and *unassigned* fund balance.

### **GFOA Best Practices and Cook County Financial Policy**

The Government Finance Officers Association (GFOA) recommends “at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”<sup>184</sup> Two months of operating expenditures is approximately 17%. The GFOA notes that a smaller reserve may be appropriate for the largest governments in the United States. The GFOA also recommends that governments adopt a formal, publicly available fund balance policy.<sup>185</sup>

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.”<sup>186</sup> 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.<sup>187</sup>

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.<sup>188</sup>

### **Cook County General Fund Unrestricted Fund Balance Ratio FY2011-FY2019**

Cook County began reporting fund balance according to GASB Statement No. 54 in FY2011. This section presents an analysis of Cook County’s unrestricted fund balance for years FY2011 through FY2019. Again, unrestricted fund balance includes the classifications of committed, assigned and unassigned fund balance in the General Fund.

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<sup>183</sup> Stephen J. Gauthier, “Fund Balance: New and Improved,” Government Finance Review, April 2009.

<sup>184</sup> Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

<sup>185</sup> Government Finance Officers Association, Fund Balance Guidelines for the General Fund (Adopted September 2015).

<sup>186</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 264.

<sup>187</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 264.

<sup>188</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 264.

The General Fund is Cook County's principal operating fund. Cook County's General Fund consists of three accounts: Corporate, Public Safety and Self-Insurance.<sup>189</sup> The table below shows the County's General Fund fund balance ratio as a percentage of General Fund operating expenditures from FY2011 through FY2019.

Cook County's unrestricted General Fund fund balance ratio fluctuated from 14.2% in FY2011 to a low of 4.4% in FY2014, increasing to a high of 28.2% in FY2019. The decrease in fund balance in FY2014 was due to several factors: the General Fund absorbed a negative balance of \$15.3 million 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.<sup>190</sup>

Since then, the County has steadily built up its General Fund reserves, primarily due to revenue increases outpacing expenditure 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.<sup>191</sup> The fund balance increased again in FY2016 to a ratio of 11.4% of General fund expenditures 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.<sup>192</sup> 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.<sup>193</sup> 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.<sup>194</sup>

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<sup>189</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 49.

<sup>190</sup> Communication with Cook County Bureau of Finance, October 30, 2015.

<sup>191</sup> Cook County FY2015 Comprehensive Annual Financial Report, p. 20.

<sup>192</sup> Cook County FY2016 Comprehensive Annual Financial Report, p. 19.

<sup>193</sup> Cook County FY2017 Comprehensive Annual Financial Report, pp. 19-20.

<sup>194</sup> Cook County FY2018 Comprehensive Annual Financial Report, p. 20.

The fund balance increased in FY2019 due to revenues ending the year above expenditures, which resulted in a net change in fund balance of \$103.6 million.<sup>195</sup>

<b>Cook County Unrestricted General Fund Fund Balance Ratio: FY2011 - FY2019</b>			
	<b>Unrestricted General Fund Balance</b>	<b>General Operating Expenditures</b>	<b>Ratio</b>
FY2011	\$ 197,104,388	\$ 1,386,073,338	14.2%
FY2012	\$ 194,691,967	\$ 1,334,180,931	14.6%
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%

Note: The ending fund balance reported in the FY2013 CAFR was \$143.5 million; however, the beginning fund balance reported for FY2014 was \$129.9 million. The reason for the difference was the reclassification of a Juvenile Justice Fund Fund that had a deficit position into the General Fund and collapsing the associated Special Revenue Fund \$15.3M.

Source: Cook County, Comprehensive Annual Financial Reports, FY2011, pp. 29 & 32; FY2012, pp. 30 & 33; FY2013, pp. 31 & 33; FY2014, pp. 29 & 32; FY2015, pp. 29 & 32; FY2016, pp. 28 & 31; FY2017, pp. 29 & 32; FY2018, pp. 29 & 32; FY2019, pp. 30 & 33; and communication with the Office of Budget and Management Services, October 30, 2015.

Cook County's FY2019 (the most recent data available) unrestricted fund balance of \$456.4 million, equivalent to 28.2% of General Fund expenditures, exceeds the GFOA's recommendation of maintaining unrestricted reserves approximately equal to 17% of operating expenditures.

The FY2019 unrestricted fund balance includes \$399.2 million in "unassigned" fund balance and \$57.2 million in "assigned" fund balance.<sup>196</sup> As described in the County's fund balance policy, the "assigned" portion of the fund balance is reserved for pension stabilization. The "unassigned" portion, \$399.2 million, represents 24.7% of operating expenditures that year. This amount of unassigned reserves meets the County's own policy of maintaining between two months (16.7%) and three months (25.0%) of General Fund fund balance.

The County's projected General Fund fund balance for FY2020 is \$552.9 million, compared to projected General Fund expenditures in FY2020 of \$1.68 billion. This fund balance projection for FY2020 represents 32.8% of operating expenditures, which falls well above the County's target.

<sup>195</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 20.

<sup>196</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 30.

## **COOK COUNTY PENSION FUND**

The Civic Federation analyzes four indicators of the fiscal health of Cook County's pension fund: funded ratios, unfunded actuarial accrued liabilities, investment rate of return and annual required employer contributions. This section presents multi-year data for those indicators up to FY2019 the most recent year for which audited data are available, and describes Cook County pension benefits. There is also a discussion of the Fund's liabilities as reported according to accounting standards required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68). Unless otherwise stated, the numbers used in this chapter are statutorily required numbers used for funding purposes.

### **Plan Description**

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a single employer defined benefit pension plan for employees and officers of Cook County. It was created in 1926 by Illinois State statute to provide retirement, death and disability benefits to employees and their dependents.<sup>197</sup> Plan benefits and contribution amounts can only be amended through State legislation.<sup>198</sup> The fiscal year of the Cook County pension fund is January 1 to December 31.<sup>199</sup>

The Cook County pension fund is governed by a nine-member Board of Trustees.<sup>200</sup> As prescribed in State statute, four members are elected by the employees, three are elected by the annuitants and the remaining two are the County Comptroller and Treasurer or their delegates.

### **Benefits**

Public Act 96-0889, enacted in April 2010, created a new tier of benefits for many public employees hired on or after January 1, 2011, including new members of the Cook County pension fund.<sup>201</sup> This report will refer to "Tier 1 employees" as those persons hired before the effective date of Public Act 96-0889 and "Tier 2 employees" as those persons hired on or after January 1, 2011.

Tier 1 employees are eligible for full retirement benefits once they reach age 60 and have at least ten years of employment at the County. The amount of retirement annuity is 2.4% of final average salary multiplied by years of service. The final average salary is the highest average monthly salary for any 48 consecutive months within the last 10 years of service. The maximum annuity amount is 80.0% of the final average salary. For example, a 60 year-old employee with 30 years of service and a \$83,000 final average salary could retire with a \$59,760 annuity: 30 x

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<sup>197</sup> County Employees' Annuity and Benefit Fund of Cook County, Financial Statements as of December 31, 2019, p. 9.

<sup>198</sup> The Cook County pension article is 40 ILCS 5/9, but the fund is also governed by other parts of the pension code, such as 40 ILCS 5/1-160 which defines the changes to benefits for new employees enacted in Public Act 96-0889.

<sup>199</sup> This is different from the fiscal year of Cook County, which is December 1 to November 30.

<sup>200</sup> The Board and staff of the Cook County pension fund also oversee and manage the pension fund of the Forest Preserve District of Cook County. The Forest Preserve fund has separate financial statements, however, and is not included in this analysis.

<sup>201</sup> A "trailer bill" to correct technical problems with Public Act 96-0889 was enacted in December 2010 as Public Act 96-1490.



$\$83,000 \times 2.4\% = \$59,760$ .<sup>202</sup> The annuity increases every year by an automatic compounded amount of 3.0%.

Tier 1 employees with ten years of service may retire as young as age 50, but their benefit is reduced by 0.5% for each month they are under age 60. This reduction is waived for employees with 30 or more years of service, such that a 50 year-old with 30 years of service may retire with an unreduced benefit.

The following table compares current employee benefits to new hire benefits enacted in Public Act 96-0889. The major changes are the increase in full retirement age from 60 to 67 and early retirement age from 50 to 62 for Cook County, the reduction of final average salary from the highest four year average to the highest eight year average, the \$106,800 cap on pensionable salary and the reduction of the automatic annuity increase from 3.0% compounded to the lesser of 3.0% or one half of the increase in Consumer Price Index not compounded.<sup>203</sup>

<b>Major Cook County Benefit Provisions for Regular Employees</b>		
	<b>Tier 1 Employees (hired before 1/1/2011)</b>	<b>Tier 2 Employees (hired on or after 1/1/2011)</b>
<b>Full Retirement Eligibility: Age &amp; Service</b>	age 60 with 10 years of service, or age 50 with 30 years of service	age 67 with 10 years of service
<b>Early Retirement Eligibility: Age &amp; Service</b>	age 50 with 10 years of service	age 62 with 10 years of service
<b>Final Average Salary</b>	highest average monthly salary for any 48 consecutive months within the last 10 years of service	highest average monthly salary for any 96 consecutive months within the last 10 years of service; pensionable salary capped at \$106,800*
<b>Annuity Formula</b>	2.4% of final average salary for each year of service	same as Tier 1
<b>Early Retirement Formula Reduction</b>	0.5% per month under age 60	0.5% per month under age 67
<b>Maximum Annuity</b>	80% of final average salary	same as current employees
<b>Annuity Automatic Increase on Retiree or Surviving Spouse Annuity</b>	3% compounded; begins at year after age 60 is reached, or year of first retirement anniversary if have 30 years of service	lesser of 3% or one-half of the annual increase in CPI-U, not compounded; begins at the later of age 67 or the first anniversary of retirement

Note: This table does not show benefits for Cook County Sheriff's Police or elected officials.

\*The \$106,800 maximum pensionable salary automatically increases by the lesser of 3% or one-half of the annual increase in the CPI-U.

Note: Tier 2 employees are prohibited from simultaneously receiving a salary and a pension from any public employers covered by the State Pension Code ("double-dipping").

Sources: County Employees' Annuity and Benefit Fund of Cook County Actuarial Valuation as of December 31, 2019; 40 ILCS 5/9; Public Act 96-0889; and Public Act 96-1490.

Members of the Cook County pension fund do not participate in the federal Social Security program so they are not eligible for Social Security benefits related to their County employment when they retire.

<sup>202</sup> The largest cohort of retirees in FY2019 was Cook County employees with 30+ years of service. Their average final average salary was \$82,824, so \$83,000 is used as an approximate final average salary. County Employees' Annuity and Benefit Fund of Cook County CAFR as of December 31, 2019, p. 158.

<sup>203</sup> An alternate annuity for County officers was available for Cook County officials who came into office on or before January 1, 2008. This benefit was eliminated for officials hired after January 1, 2008 via Public Act 95-0654. Another optional pension plan existed between 1985 and 2005. The Optional Pension Plan was created in 1985 by

In the absence of pension reforms for the Cook County Pension Fund passing the Illinois General Assembly, the County implemented in FY2016 a supplementary pension payment schedule above the amount specified under state law and funded through a one percentage point increase in the County's home rule sales tax rate. In FY2021 the supplementary payment is proposed to be \$312.0 million above the statutory multiple contribution of approximately \$201.9 million.<sup>204</sup> The County's supplementary payment schedule is scheduled 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 by the Illinois General Assembly and signed into law by the Governor.

## Membership

In FY2019 the fund had 19,392 active employee members and 19,302 beneficiaries for a ratio of 1.00 active members for every beneficiary. This ratio fell from 1.51 in FY2010 as the number of active members has declined and the number of beneficiaries rose. A decline in the ratio of active employees to retirees can create fiscal stress for a mature, underfunded pension fund like the Cook County Pension Fund because it means there are fewer dollars in employee contributions going into the fund and more in annuity payments flowing out of the fund.

<b>Cook County Pension Fund Membership: FY2010-FY2019</b>			
<b>Fiscal Year</b>	<b>Active Employees</b>	<b>Beneficiaries</b>	<b>Ratio of Active to Beneficiary</b>
FY2010	23,165	15,333	1.51
FY2011	22,037	15,866	1.39
FY2012	21,187	16,434	1.29
FY2013	21,079	16,885	1.25
FY2014	21,467	17,265	1.24
FY2015	21,425	17,768	1.21
FY2016	20,798	18,080	1.15
FY2017	20,200	18,366	1.10
FY2018	19,511	18,762	1.04
FY2019	19,392	19,302	1.00
<b>10-Year Change</b>	<b>-3,773</b>	<b>3,969</b>	<b>-0.51</b>
<b>10-Year % Change</b>	<b>-16.3%</b>	<b>25.9%</b>	<b>-33.5%</b>

Note: Fiscal year of pension fund is January 1 to December 31.

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Financial Statements, FY2010-FY2019.

## Funded Ratios

This report uses two measurements of pension plan funded ratio: the actuarial value of assets measurement and the market value of assets measurement. These ratios show the percentage of

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the General Assembly and renewed several times before it was allowed to sunset on July 1, 2005. 40 ILCS 5/9-179.3. See also the legislative history provided in County Employees' Annuity and Benefit Fund of Cook County, Actuarial Valuation as of December 31, 2009, pp. 32-40.

<sup>204</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, p. 4

pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

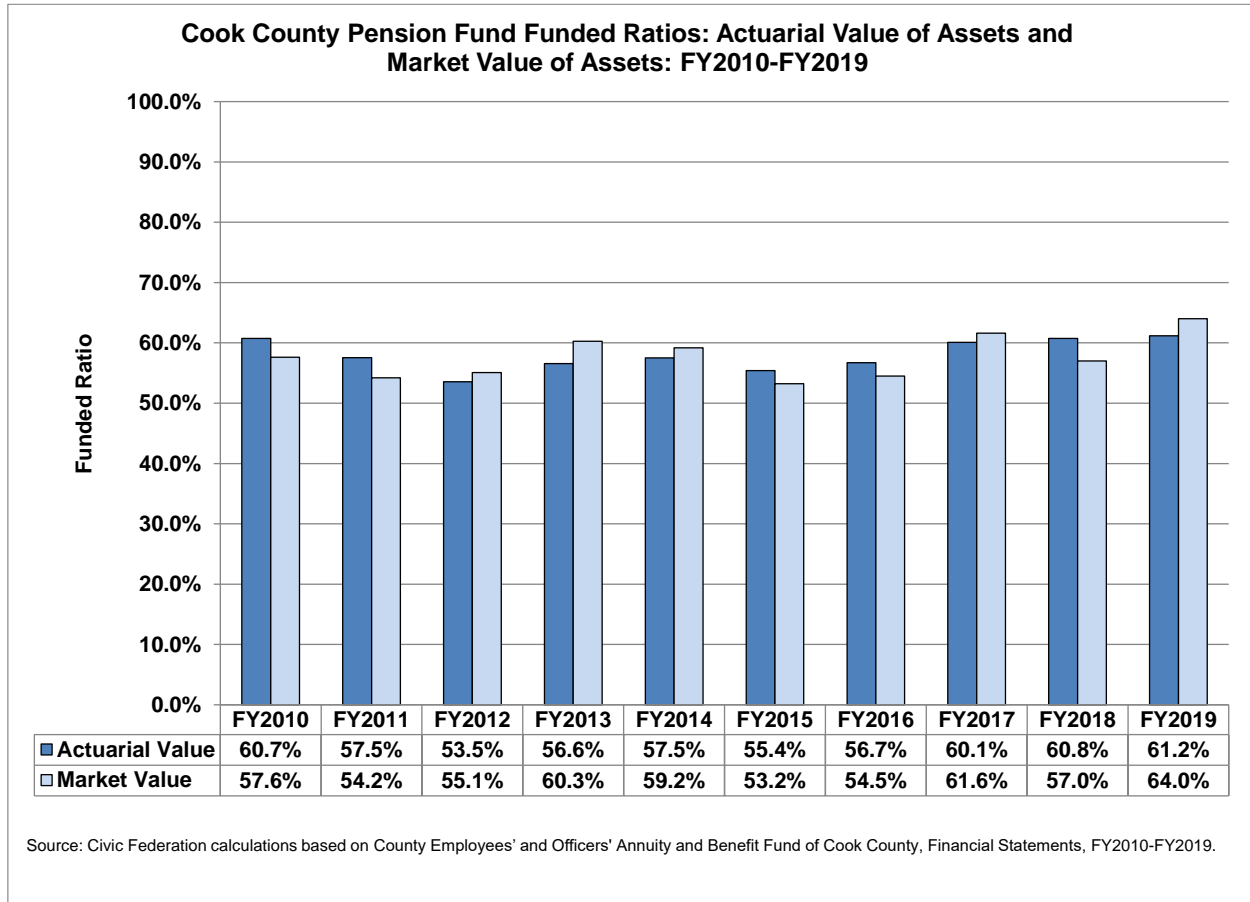
The actuarial value of assets measurement presents the ratio of assets to liabilities and accounts for assets by recognizing unexpected gains and losses over a period of three to five years.<sup>205</sup> The market value of assets measurement presents the ratio of assets to liabilities by recognizing 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 the actuarial and market value funded ratios for Cook County's pension fund over the last ten years. The actuarial value funded ratio was 60.7% in FY2010 and subsequently fell to 53.5% by FY2012 as large losses in the market crash during FY2008 were incorporated into the valuation. The fund has since fluctuated and rebounded to 61.2% in FY2019 following increased employer contributions in FY2016 through FY2019. The market value funded ratio was 57.6% in FY2010, following a 23% investment loss in FY2008 and

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<sup>205</sup> For more detail on the actuarial value of assets, see Civic Federation, *Status of Local Pension Funding FY2012*, October 2, 2014.

subsequently fluctuated with market returns before increasing in FY2019 with large investment gains.

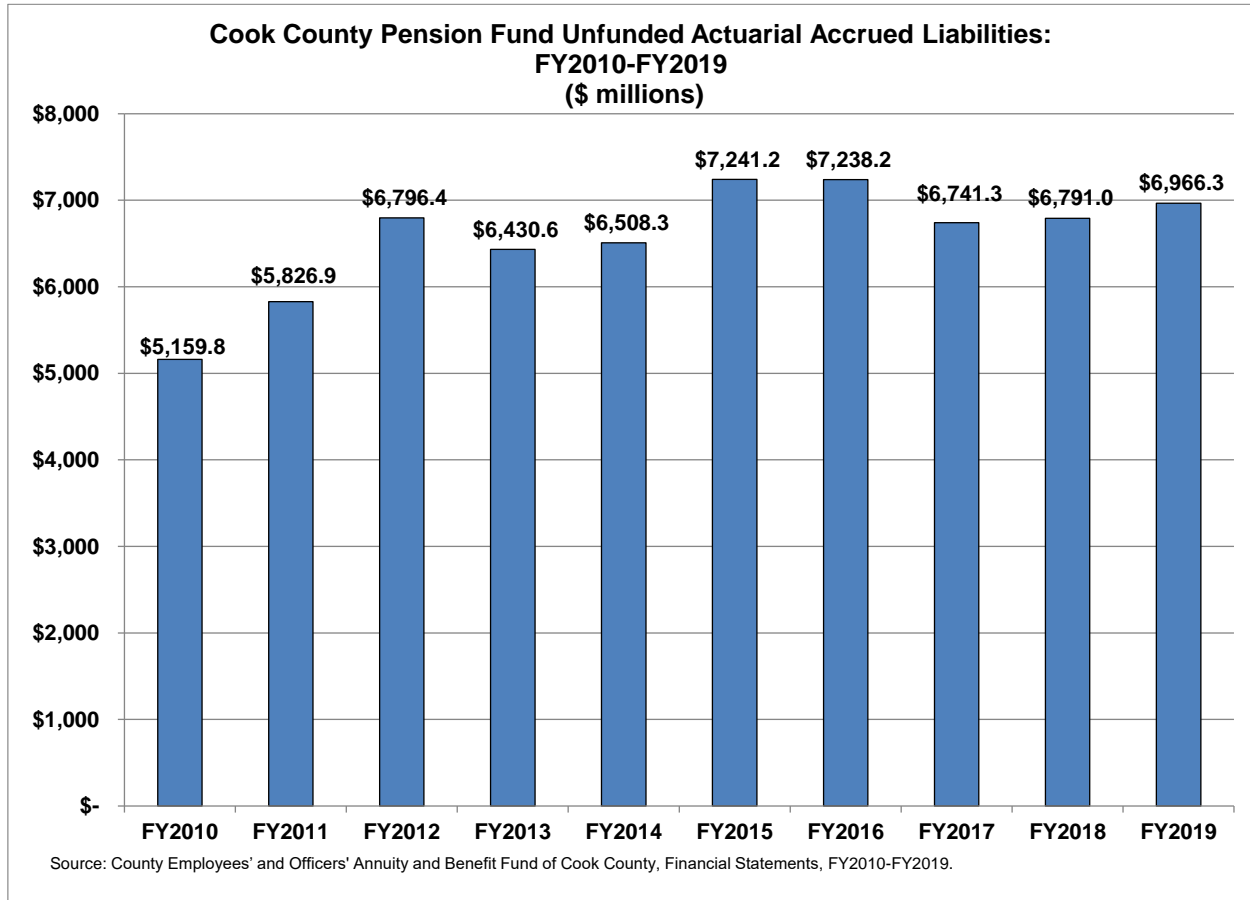


### Unfunded Actuarial Accrued Liability

Unfunded actuarial accrued liability (UAAL) is the dollar value of accrued liabilities<sup>206</sup> not covered by the actuarial value of assets. As shown in the exhibit below, the unfunded liability for Cook County's pension fund totaled nearly \$7.0 billion in FY2019, up 35.0% from \$5.2 billion

<sup>206</sup> Actuarial accrued liabilities represent liabilities for future benefit payments due to current beneficiaries, as well as liabilities for benefits earned to date by current employees.

in FY2010. The FY2019 unfunded liability was up from FY2018 due mostly to investment losses in previous years and insufficient employer contributions.



The next exhibit adds together the contributing factors that have increased or decreased the fund's unfunded liability since the beginning of FY2010. The largest contributor to the \$2.3 billion growth in unfunded liabilities between the beginning of FY2010 and the end of FY2019 was a shortfall in employer contributions as compared to a contribution that would prevent growth of the unfunded liability (normal cost<sup>207</sup> plus interest) which added \$2.7 billion to the unfunded actuarial accrued liability over 10 years. The second largest contributor was that investment returns failed to meet the expected rate of return.<sup>208</sup> This added \$762.2 million to the UAAL. These unfunded liability increases were somewhat offset by salary increases that have tended to be lower than originally assumed, reducing the unfunded liability by \$700.2 million

<sup>207</sup> Normal cost is an actuarially calculated amount representing that portion of the present value of pension plan benefits and administrative expenses which is allocated to a given valuation year.

<sup>208</sup> The UAAL reflects investment gains and losses smoothed over a five-year period, so it does not match the annual investment results shown later in this report. For more information on asset smoothing see Civic Federation, *Status of Local Pension Funding Fiscal Year 2012*, October 2, 2014.

over the past decade. Finally, changes to actuarial assumptions reduced the unfunded liability by \$338.0 million due mainly to changes in retiree healthcare assumptions.

<b>Reasons for Change in the Cook County Pension Fund Unfunded Actuarial Accrued Liability: FY2010-FY2019</b>						
	<b>Employer Contribution Lower/(Higher) than Normal Cost + Interest</b>	<b>Investment Return Lower/(Higher) Than Assumed</b>	<b>Salary Increase (Lower)/Higher Than Assumed</b>	<b>Change in Actuarial Assumptions or Methods</b>	<b>Other</b>	<b>Total Net UAAL Change</b>
<b>FY2010</b>	\$ 349,354,012	\$ 364,312,504	\$ (185,530,277)	\$ -	\$ 1,683,624	\$ 529,819,863
<b>FY2011</b>	\$ 371,793,485	\$ 459,875,129	\$ (138,554,686)	\$ -	\$ (25,972,161)	\$ 667,141,767
<b>FY2012</b>	\$ 252,886,106	\$ 376,601,751	\$ 34,073,219	\$ -	\$ 305,896,670	\$ 969,457,746
<b>FY2013</b>	\$ 513,419,056	\$ (586,433,767)	\$ (184,385,510)	\$ -	\$ (108,324,418)	\$ (365,724,639)
<b>FY2014</b>	\$ 423,103,748	\$ (161,124,113)	\$ (148,871,075)	\$ -	\$ (35,470,332)	\$ 77,638,228
<b>FY2015</b>	\$ 431,124,367	\$ 61,964,372	\$ 164,977,011	\$ -	\$ 74,819,248	\$ 732,884,998
<b>FY2016</b>	\$ 196,813,036	\$ 14,518,350	\$ 2,613,304	\$ -	\$ (216,877,547)	\$ (2,932,857)
<b>FY2017</b>	\$ 93,692,715	\$ (59,718,736)	\$ (78,486,650)	\$ (323,327,660)	\$ (129,097,600)	\$ (496,937,931)
<b>FY2018</b>	\$ 13,181,699	\$ 245,808,320	\$ (144,455,926)	\$ (24,987,447)	\$ (39,825,156)	\$ 49,721,490
<b>FY2019</b>	\$ 48,781,707	\$ 46,426,889	\$ (21,547,203)	\$ 10,343,906	\$ 91,276,908	\$ 175,282,207
<b>10-Year Total</b>	<b>\$ 2,694,149,931</b>	<b>\$ 762,230,699</b>	<b>\$ (700,167,793)</b>	<b>\$ (337,971,201)</b>	<b>\$ (81,890,764)</b>	<b>\$ 2,336,350,872</b>

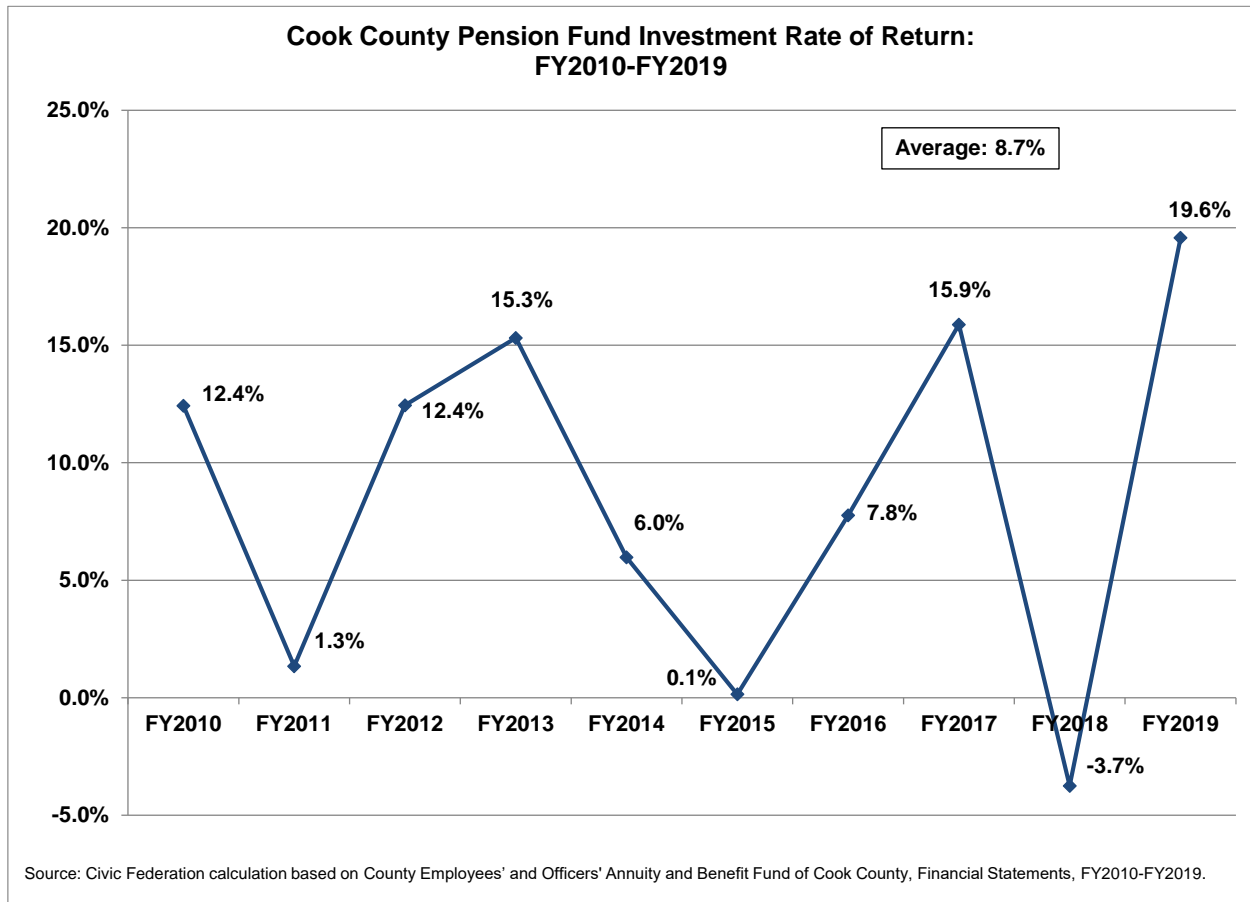
Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2010-FY2019.

### Investment Rate of Return

Investment income typically provides a significant portion of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Between FY2010 and FY2019 the Cook County pension fund's average annual rate of return was 8.7%.<sup>209</sup>

<sup>209</sup> 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 fund's actuary 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.

As shown in the following chart, returns ranged from a high of 19.6% in FY2019 to a low of -3.7% in FY2018.



### **Pension Liabilities and Actuarially Determined Employer Contribution as Reported Under Governmental Accounting Standards Board Statements Number 67 and 68**

In 2012 the Governmental Accounting Standards Board (GASB) issued new accounting and financial reporting standards for public pension plans and for governments, Statements 67 and 68. According to GASB, the new standards were intended to “improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations.”<sup>210</sup> Among other disclosures, pension funds and governments are now required to report total pension liability, fiduciary net position, net pension liability, pension expense and actuarially determined contribution (ADC), which are calculated on a different basis from previous GASB 25 and 27 pension disclosure requirements. Both pension funds and governments must also disclose additional information about pensions in the notes to the financial statements and in required supplementary information sections. It is important to note that GASB intended to separate pension reporting from pension funding. Thus, the numbers reported according to GASB 67 and 68 standards are not used to determine how

<sup>210</sup> Governmental Accounting Standards Board, Pension Standards for State and Local Governments. Available at: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472>.

much a government must contribute to its pensions. They are a reporting, NOT a funding requirement. Cook County and other governments will continue to use traditional public pension accounting methods to determine funding requirements. However, as the GASB 67 and 68 numbers can provide important new ways to understand a fund's sustainability, the Federation will address them here.

The Cook County Pension Fund began reporting according to GASB 67 in its FY2014 CAFR and actuarial valuations. Cook County began reporting according to GASB 68 in its FY2015 financial statements.

The total pension liability, fiduciary net position, net pension liability and ADC<sup>211</sup> are all calculated on a different basis both from what used to be required by GASB and from the traditional public pension actuarial basis.

*Total Pension Liability* – This number is similar in concept to the actuarial accrued liability (AAL) discussed above, but is NOT the same. The actuarial cost method and discount rate (among other things) are different. All plans are required to use:

- Entry age normal actuarial cost method and level percent of payroll. The Cook County Pension Fund also uses the entry age normal method for statutory reporting and funding purposes.
- A single blended discount rate, instead of basing the discount rate only on projected investment earnings. The discount rate is used to calculate the present value of the future obligations of a pension fund. The discount rate has an inverse relationship to actuarial liabilities, such that a lower discount rate will result in higher liabilities.
  - If a government is projected to have enough assets to cover its projected benefit payments to current and inactive employees, it can use the expected return on investments as its discount rate.
  - If a government is projected to reach a crossover point beyond which projected assets are insufficient to cover projected benefit payments, then a blended discount rate must be used. Benefit payments projected to be made from that point forward are discounted using a high-quality municipal bond interest rate. The blended rate is a single equivalent rate that reflects the investment rate of return and the high-quality municipal bond interest rate.
  - The Cook County Pension Fund under the statutory funding formula is projected to run out of funding in 2040, so its GASB 67 and 68 reporting is discounted at a blend of the full 7.25% assumed rate of return and a lower municipal bond rate of 2.75%. The reported blended rate was 4.14% for FY2019.<sup>212</sup>

*Fiduciary Net Position* – This number is essentially the market value of assets in the pension plan as of the end of the fiscal year, not the assets as calculated on an actuarially smoothed basis under previous reporting requirements. The Cook County Pension Fund still uses

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<sup>211</sup> Other differences and newly reported numbers are not central to the discussion here.

<sup>212</sup> County Employees' Annuity and Benefit Fund of Cook County, CAFR For the Fiscal Years Ended December 31, 2019 and 2018, p. 36s.



smoothed actuarial value of assets to determine statutory employer contribution requirements.

*Net Pension Liability* – This number is similar in concept to the unfunded actuarial accrued liability, but again is NOT the same. It is the difference between the Total Pension Liability and the Fiduciary Net Position of the fund. Governments are required to report the Net Pension Liability in their Statements of Net Position in their financial statements, according to GASB 68.

*Actuarially Determined Contribution (ADC)* – Another change from previous standards is that funds are no longer required to report an Annual Required Contribution (ARC) based on standards promulgated by GASB. Instead, the funds will calculate an Actuarially Determined Contribution or ADC that reflects their own funding plan, unless that funding scheme does not follow actuarial standards of practice. Then the fund must report an ADC that is calculated according to actuarial standards of practice. It is again important to emphasize that the ADC is a reporting and not a funding requirement. See the discussion below for a summary of how the basis for calculating the Cook County Pension Fund ADC differs from the ARC.

Difference between the ADC and ARC

Depending on the employer’s funding plan, a pension fund’s ADC may be very similar to the previously reported ARC. The chart below summarizes the main assumptions behind the Cook County Pension Fund calculations of ADC and ARC. Other than the discount rate, which was lowered to 7.25% in FY2017, there is no difference between the main assumptions of the ADC and ARC. The ADC uses the actuarially calculated UAAL number instead of the GASB 67 net pension liability number, which also makes it similar to the ARC. Additionally, the ADC need not follow the GASB 67 and 68 requirement of using the market value of assets. The Cook County Pension Fund uses a five-year smoothed valuation of assets.

<b>Calculation of the Actuarially Determined Contribution (ADC) vs the Annual Required Contribution (ARC)</b>		
	<b>ADC (FY2014 and After)</b>	<b>ARC (FY2013 and Earlier)</b>
<b>Amortization Period</b>	30-year open	30-year open
<b>Amortization Method</b>	Level Dollar	Level Dollar
<b>Actuarial Cost Method</b>	Entry Age Normal	Entry Age Normal
<b>Actuarial Value of Assets</b>	5-year smoothed	5-year smoothed
<b>Investment Rate of Return</b>	7.25%	7.50%

Source: Cook County Pension Fund FY2019 and FY2013 Actuarial Valuations.

Because the ADC and ARC are calculated on a similar basis, the Civic Federation will continue to analyze the trend of the difference between the reported ADC/ARC and the statutorily required employer contribution the County must make under state law in order to demonstrate how far from sufficient the statutory payment is. Cook County is required to make an annual employer contribution equivalent to 1.54 times the total employee contribution made two years

earlier. The County levies a property tax for this purpose and the pension amount appears as a separate line on tax bills.<sup>213</sup>

Before examining the ADC and actual employer contributions to the Cook County pension fund, it is important to note some reporting changes. GASB Statement No. 43 required the Cook County pension fund to begin reporting any OPEB liability information separately for the fiscal year beginning after December 15, 2005. It also required that for those governments that fund retiree healthcare on a pay-as-you-go basis rather than through a designated trust fund, OPEB liabilities be valued using a discount rate assumption that reflects the rate of return earned on the actual assets used to pay the benefits. If OPEB is not prefunded in a designated trust, that discount rate is expected to reflect the interest rate earned on the plan sponsor's assets, usually a money market rate. These requirements were updated with GASB Statement No. 74, as discussed in the next section.<sup>214</sup>

In order to comply with these accounting standards, the Cook County pension fund produces separate actuarial valuations:

- A valuation of pension liabilities reflecting a new GASB-determined blended discount rate introduced with GASB 67, which amounts to 4.14% in FY2019;
- Another valuation of OPEB liabilities following GASB 74 using a blended discount rate of 2.75%; and
- A “combined” valuation using a 7.25% discount rate for both pension and OPEB liabilities.

The Cook County pension fund considers the “combined” valuation to be the best reflection of its assets and liabilities because the pension and OPEB benefits are paid from the same asset pool.<sup>215</sup> However, the separate pension and OPEB valuations calculated for GASB purposes are the ones used to compute the net pension liability and OPEB obligations of Cook County government that appear on the government's balance sheet.

The table below shows only the “combined” valuation comparison of the ADC (or ARC in FY2013 and earlier) to the actual Cook County contribution over the last ten years.<sup>216</sup> The employer contribution did not equal 100.0% of the ARC or ADC in any of the years FY2010 through FY2019. In FY2010 the \$184.7 million employer contribution represented 39.5% of the ARC, meaning that \$283.5 million more would need to have been contributed to meet the ARC that year. In FY2019 the \$503.5 million total employer contribution—which included both the statutory contribution and the supplemental contribution—represented 78.2% of the ADC for the “combined” valuation of pension and OPEB, for a shortfall of nearly \$140.0 million that year.

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<sup>213</sup> Starting with the FY2016 budget, the County started to make an annual supplementary contribution to the County pension fund with revenue from the one percentage point increase in the County's home rule sales tax rate.

<sup>214</sup> Statement Number 75, providing for changes in OPEB reporting by governments in their own financial reporting, went into effect for the 2018 fiscal year.

<sup>215</sup> Information provided by Daniel Degnan, Executive Director, Cook County Employees' and Officers' Annuity and Benefit Fund of Cook County, February 14, 2011.

<sup>216</sup> The employer contribution shown in these tables is higher than the employer contribution shown elsewhere in the fund's financial statements because these GASB required tables include federal contributions for federally subsidized programs while the pension fund financial statements show only the tax levy contribution for locally-supported employees.

The cumulative ten-year difference between ADC/ARC and actual employer contribution for “combined” pension and OPEB is a \$3.2 billion shortfall.

Expressing ADC/ARC as a percent of payroll provides a sense of scale and affordability. In FY2010 the ARC was 31.3% of payroll while the actual employer contribution was 12.4% of payroll. In contrast after the County started to make supplementary pension payments, the FY2019 “combined” pension and OPEB ADC was 41.4% of payroll, while the actual employer contribution was 32.4% of payroll.

Schedule of Employer Contributions--COMBINED Pension and OPEB Valuation							
Fiscal Year	Employer Actuarially Determined Contribution* (1)	Actual Employer Contribution (2)	Shortfall (1-2)	% of ADC* contributed	Payroll	ADC* as % of payroll	Actual Employer Contribution as % of payroll
2010	\$ 468,181,943	\$ 184,722,634	\$ 283,459,309	39.5%	\$ 1,494,093,569	31.3%	12.4%
2011	\$ 613,952,848	\$ 198,837,424	\$ 415,115,424	32.4%	\$ 1,456,444,123	42.2%	13.7%
2012	\$ 655,800,100	\$ 190,720,776	\$ 465,079,324	29.1%	\$ 1,478,253,368	44.4%	12.9%
2013	\$ 655,800,100	\$ 187,817,644	\$ 467,982,456	28.6%	\$ 1,484,269,715	44.2%	12.7%
2014	\$ 719,890,057	\$ 190,032,872	\$ 529,857,185	26.4%	\$ 1,514,550,023	47.5%	12.5%
2015	\$ 634,722,132	\$ 186,832,321	\$ 447,889,811	29.4%	\$ 1,572,417,298	40.4%	11.9%
2016	\$ 639,794,759	\$ 464,268,404	\$ 175,526,355	72.6%	\$ 1,580,251,254	40.5%	29.4%
2017	\$ 696,007,249	\$ 559,205,626	\$ 136,801,623	80.3%	\$ 1,567,480,401	44.4%	35.7%
2018	\$ 691,620,570	\$ 587,748,221	\$ 103,872,349	85.0%	\$ 1,533,721,507	45.1%	38.3%
2019	\$ 643,433,440	\$ 503,466,383	\$ 139,967,057	78.2%	\$ 1,553,498,503	41.4%	32.4%

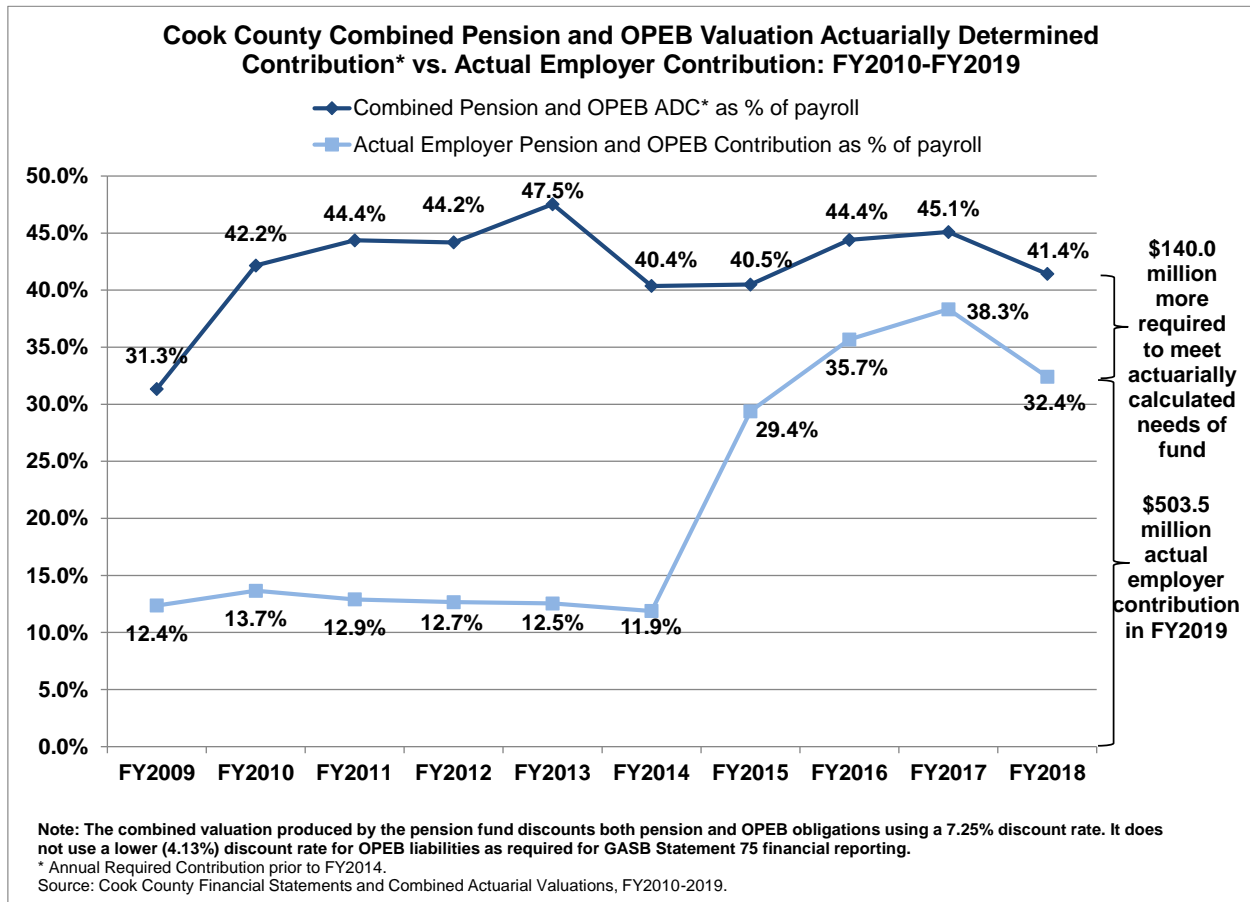
Note: This combined valuation produced by the pension fund discounts both pension and OPEB obligations using a 7.5% discount rate. It does not use a lower (4.13%) discount rate for OPEB liabilities as required for GASB Statement 75 financial reporting.

\* Before 2014, this was the Annual Required Contribution or ARC.

Source: County Employees' and Officers' Annuity and Benefit Fund of Cook County, Combined Actuarial Valuations FY2019-FY2018; Financial Statements as of December 31, 2019, p. 62, 66; and conversation with the Cook County Pension Fund.

The graph below illustrates the shrinking gap between the “combined” pension and OPEB ADC/ARC as a percent of payroll and the actual employer contribution as a percent of payroll. The spread between the two amounts has fallen from 18.9% of payroll, or \$283.5 million, in FY2010 to 9.0% of payroll in FY2019 due to supplementary contributions made by the County and funded by the one percentage point increase in the County sales tax. In other words, to fund the pension and retiree healthcare plans at a level that would both cover normal cost and

amortize the unfunded liability over 30 years Cook County would have needed to contribute an additional 9.0% of payroll, or \$140.0 million, in FY2019.



***Cook County Pension Fund Reported Liabilities Under GASB Statements Number 67 and 68***

The following table shows the Cook County Pension Fund financial reporting under GASB 67 and 68. Fiduciary Net Position (assets) as a percentage of Total Pension Liabilities is analogous to a funded ratio as calculated under actuarial standards. Because the Cook County Pension Fund assets are forecast to be insufficient to cover projected benefit payments starting in 2043, therefore the Fund and Cook County must use a blended discount rate that is much lower than the expected rate of return on investment. A lower discount rate results in higher present values for liabilities and net pension liabilities.<sup>217</sup> The reported net pension liability for FY2019 is \$13.6 billion, nearly double the unfunded actuarial accrued liability of \$7.0 billion. The County was

<sup>217</sup> For more on discount rates and how they impact measurements of the present value of liabilities, read the Civic Federation blog: <https://www.civiced.org/iifs/blog/state-pension-liabilities-rise-due-lower-expected-investment-returns> and <https://www.civiced.org/civic-federation/blog/local-government-pension-funds-lower-their-expected-investment-rates-return-fy>.

required to include the net pension liability among the liabilities on its balance sheet for the first time in FY2015.

Cook County Pension Fund GASB 67 Reporting FY2013-FY2019					
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as a Percentage of Total Pension Liability	Actuarially Determined Contribution
<b>FY2013</b>	\$ 21,117,643,943	\$ 8,927,366,656	\$ 12,190,277,287	42.27%	\$ 655,800,100
<b>FY2014</b>	\$ 21,945,961,866	\$ 9,068,398,780	\$ 12,877,563,086	41.32%	\$ 719,890,057
<b>FY2015</b>	\$ 23,963,085,690	\$ 8,643,044,275	\$ 15,320,041,415	36.07%	\$ 634,722,132
<b>FY2016</b>	\$ 23,240,192,010	\$ 9,115,657,870	\$ 14,124,534,140	39.22%	\$ 639,794,759
<b>FY2017</b>	\$ 22,940,794,624	\$ 10,407,883,443	\$ 12,532,911,181	45.37%	\$ 696,007,249
<b>FY2018</b>	\$ 21,723,236,738	\$ 9,862,023,782	\$ 11,861,212,956	45.40%	\$ 691,620,570
<b>FY2019</b>	\$ 25,071,941,811	\$ 11,490,959,220	\$ 13,580,982,591	45.83%	\$ 643,433,440
<b>Seven-Year Change</b>	\$ 3,954,297,868	\$ 2,563,592,564	\$ 1,390,705,304		\$ (12,366,660)
<b>Seven-Year % Change</b>	<b>18.73%</b>	<b>28.72%</b>	<b>11.41%</b>		<b>-1.89%</b>

Source: FY2014-FY2019 Cook County Pension Fund Actuarial Valuations. FY2013 numbers were presented in the FY2014 report.

## SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. These include short-term notes, accounts payable, amounts due to other funds, accrued payroll and other current liabilities. Cook County reported a variety of short-term obligations due for the next fiscal year in the balance sheet for the governmental funds in its FY2019 Comprehensive Annual Financial Report (CAFR), the most recent audited financial statement. These liabilities include:

- *Accounts payable*: Monies owed to vendors for goods and services carried over into the new fiscal year;
- *Retainage payable*: The portion of a contract’s final payment withheld until the project is complete;<sup>218</sup>
- *Accrued salaries payable*: Employee pay carried over from the previous year;
- *Amounts held for outstanding warrants*: Cash balances maintained to offset claims made by the State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. The County disputes these claims;<sup>219</sup>
- *Due to other funds, others or other governments*: These are monies owed to other funds for services that have been rendered that are outstanding at the end of the fiscal year;
- *Notes payable*: Short-term loans due within the next fiscal year; and
- *Other liabilities*: Include self-insurance funds (the County is self-insured for various types of liabilities, including medical malpractice, workers’ compensation, general automobile and other liabilities), unclaimed property and other unspecified liabilities.

<sup>218</sup> See Business Dictionary at <http://www.businessdictionary.com/definition/retainage.html>.

<sup>219</sup> See Cook County FY2015 Comprehensive Annual Financial Report, “Contingency – State Treasurer Claim,” p. 106.

In FY2019 short-term liabilities totaled \$339.4 million, an increase of 37.1%, or \$91.9 million, from the prior fiscal year. Much of the change was primarily due to the following two factors:

- A \$36.4 million, or 30.8%, increase in Accounts Payable. This increase was primarily due to a \$48.0 million accrual of unpaid self-insurance invoices. The net change in Self-Insurance Accounts Payable liability is mainly due to a timing difference are when the invoices are received and paid. Self-insurance expenses vary year-over-year;<sup>220</sup> and
- An \$80.1 million Line of Credit Payable. The line of credit is a variable rate note that can be drawn and repaid until November 1, 2020. It provides a financing mechanism for acquiring and constructing capital projects. Cook County pays for capital equipment purchases using operating cash then reimburses the operating funds from the line of credit as needed.<sup>221</sup>

Since FY2015 short-term liabilities have increased by \$61.3 million or 22.0%. The largest changes occurred within three categories: Accrued Salaries Payable declined by \$51.1 million or 69.2%, from \$73.8 million to \$22.7 million; amounts Due to Other funds increased by \$27.0 million and the County took out an \$80.1 million line of credit.

Cook County Short-Term Liabilities in the Governmental Funds : FY2015-FY2019 (in \$ thousands)									
Type	FY2015	FY2016	FY2017	FY2018	FY2019	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 148,862	\$ 131,626	\$ 140,766	\$ 118,293	\$ 154,715	\$ 36,422	30.8%	\$ 5,853	3.9%
Retainage payable	\$ 2,271	\$ -	\$ -	\$ -	\$ -	\$ -	---	\$ (2,271)	---
Accrued Salaries Payable	\$ 73,777	\$ 56,281	\$ 57,324	\$ 29,402	\$ 22,697	\$ (6,705)	-22.8%	\$ (51,080)	-69.2%
Line of Credit Payable	\$ -	\$ -	\$ -	\$ -	\$ 80,105	\$ 80,105	---	\$ 80,105	---
Amounts held for outstanding warrants	\$ 1,490	\$ 1,392	\$ 1,381	\$ 1,374	\$ 1,520	\$ 146	10.6%	\$ 30	2.0%
Due to Other Funds	\$ 40,962	\$ 50,340	\$ 132,872	\$ 88,703	\$ 68,024	\$ (20,679)	-23.3%	\$ 27,062	66.1%
Due to Others	\$ 10,716	\$ 12,234	\$ 17,183	\$ 9,710	\$ 12,304	\$ 2,594	26.7%	\$ 1,588	14.8%
<b>Total</b>	<b>\$ 278,078</b>	<b>\$ 251,873</b>	<b>\$ 349,526</b>	<b>\$ 247,482</b>	<b>\$ 339,365</b>	<b>\$ 91,883</b>	<b>37.1%</b>	<b>\$ 61,287</b>	<b>22.0%</b>

Source: Cook County FY2015-FY2019 Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

Increasing current liabilities in a government's operating funds at the end of the year as a percentage of total operating revenues may be a warning sign of a government's future financial difficulties.<sup>222</sup> This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

Cook County's ratio of short-term liabilities to total operating revenue has fluctuated over time. Between FY2015 to FY2017, it rose from 12.8% to 14.1%, primarily because of an increase in the Due to Other Funds category. It fell to 9.2% in FY2018 due to a sharp decline in Due to

<sup>220</sup> Information provided by Cook County Budget Office, November 16, 2020.

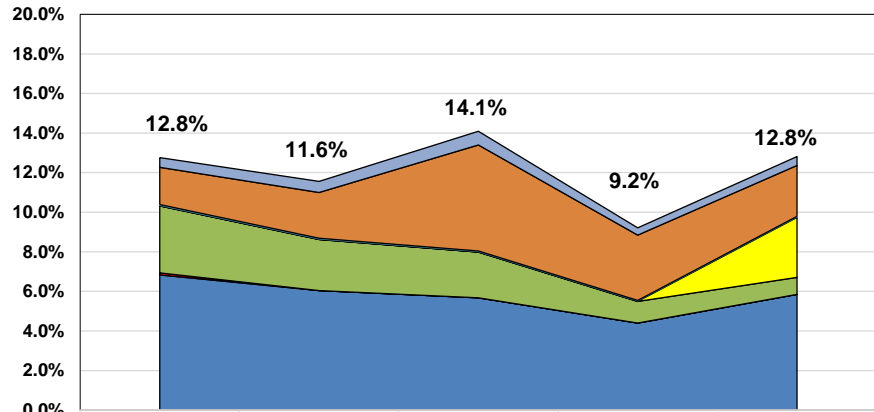
<sup>221</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 94.

<sup>222</sup> Operating funds are those funds used to account for general operations – the General Fund, Special Revenue Funds and the Debt Service Fund. See Karl Nollenberger, Sanford Groves and Maureen G. Valente, *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), pp. 77 and 169.

Other Funds before rising again in FY2018 to 12.8% as Accounts Payable rose and the County entered into a line of credit. The ratio averaged 12.1% over the five-year period.

**Cook County Short Term Liabilities as a Percentage of Operating Revenues:  
FY2015 - FY2019**

**5-Year  
Average  
= 12.1%**



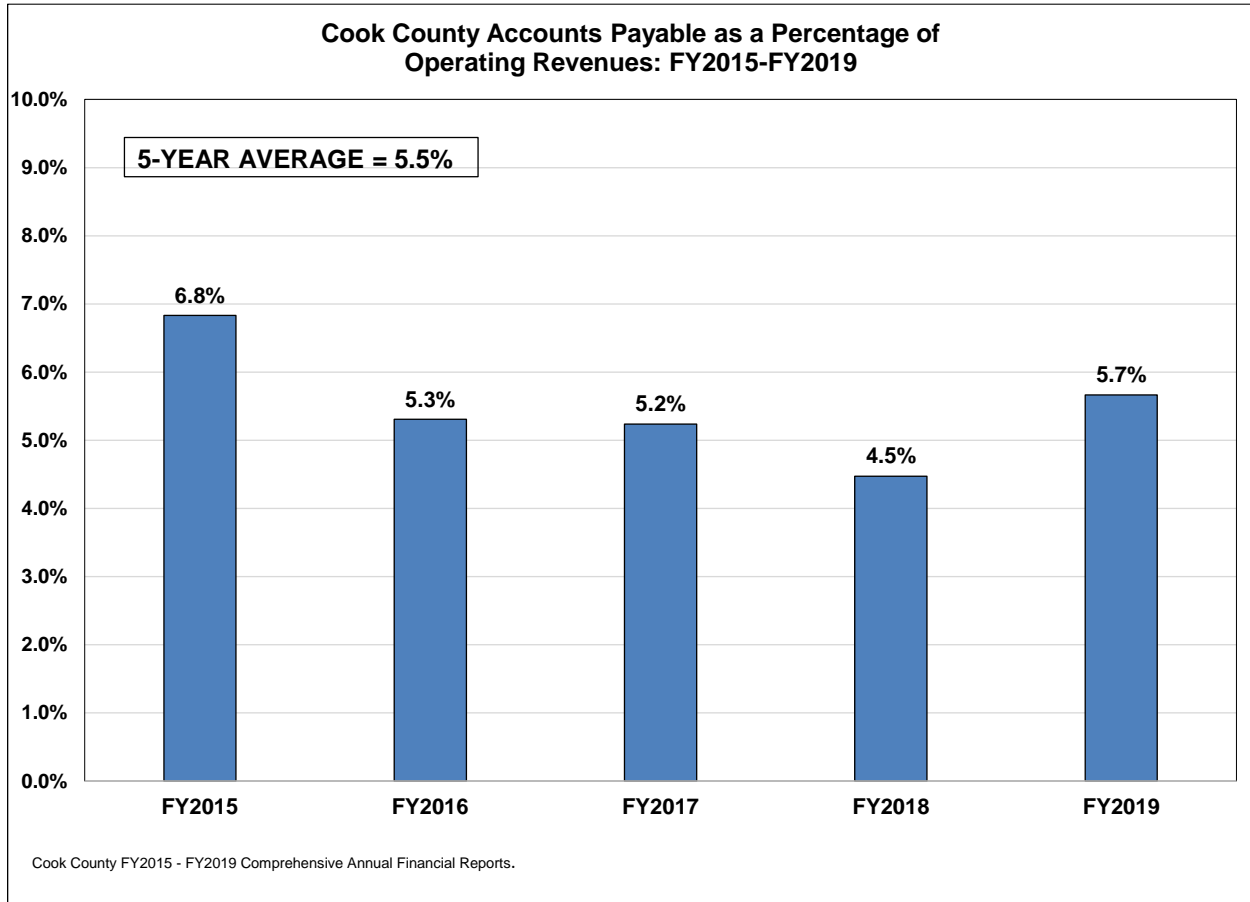
	FY2015	FY2016	FY2017	FY2018	FY2019
Due to Others	0.5%	0.6%	0.7%	0.4%	0.5%
Due to Other Funds	1.9%	2.3%	5.4%	3.3%	2.6%
Amounts held for outstanding warrants	0.1%	0.1%	0.1%	0.1%	0.1%
Line of Credit Payable	0.0%	0.0%	0.0%	0.0%	3.0%
Accrued Salaries Payable	3.4%	2.6%	2.3%	1.1%	0.9%
Retainage payable	0.1%	0.0%	0.0%	0.0%	0.0%
Accounts Payable	6.8%	6.0%	5.7%	4.4%	5.8%

Source: Cook County FY2015 - FY2019 Comprehensive Annual Financial Reports.

**Accounts Payable as a Percentage of Operating Revenues**

Over time, rising amounts of accounts payable compared to operating revenues may indicate a government’s difficulty in controlling expenses or keeping up with spending pressures. Cook County’s ratio of operating funds accounts payable to operating revenues fell from 6.8% in

FY2015 to 5.7% in FY2019. The five-year average ratio was 5.5%. The ratio is relatively low and thus not a cause for concern.



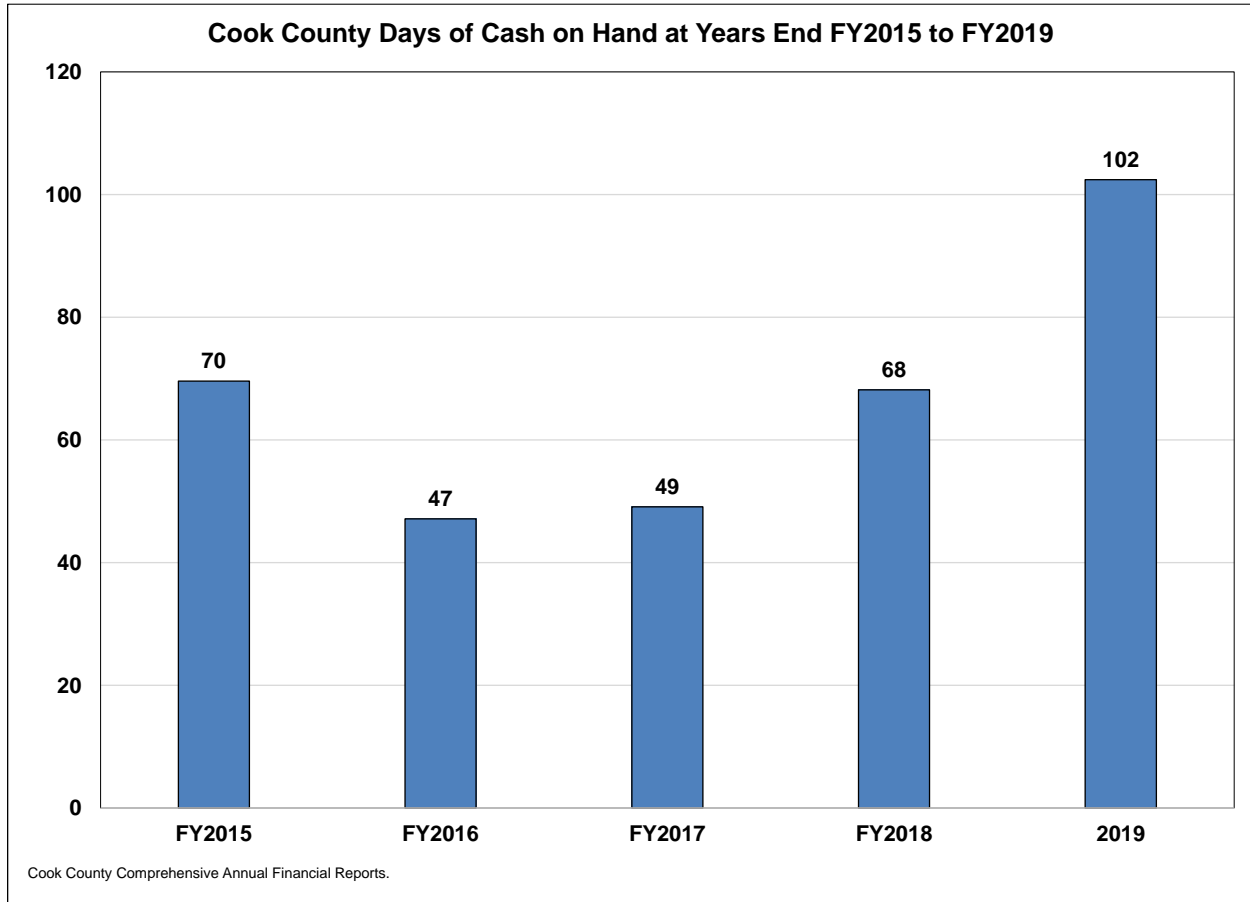
### Days of Cash on Hand

Days of cash on hand is a widely used liquidity ratio. It shows how long an organization could meet its daily expenses using the cash on hand or assets that can quickly be turned into cash. It is calculated by dividing the amount of cash and marketable securities in the governmental funds by daily operating expenses in those funds. A government should maintain several months' worth of cash to pay bills as they come due. It is a sound practice to have at least enough cash on hand to exceed the length of a typical billing period, or 30 to 60 days.<sup>223</sup> Between FY2015 and FY2016, Cook County reported that the days of cash on hand at year-end fell from 70 to 47 days.

<sup>223</sup> Steven A. Finkler, *Financial Management for Public, Health, and Not-for-Profit Organizations*, p. 535.



Then, the number of days rose to 102 at the end of FY2019. The County has met the best practice standard in all five years examined.



### Current Ratio

The current ratio is a measure of liquidity. The ratio is calculated by dividing current assets by current liabilities. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.<sup>224</sup>

In addition to the short-term liabilities listed above, the current ratio formula includes the current assets of a government, such as:

- *Cash and cash equivalents*: assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit;
- *Investments*: any investments that the government has made that will expire within one year, including stocks and bonds that can be liquidated quickly;

<sup>224</sup> Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*. (Upper Saddle River, NJ, 2001), p. 476.

- *Receivables*: monetary obligations owed to the government including grants, loans, property taxes and accrued interest;
- *Due from other governments*: monies due from local property taxes that have been determined or billed but not yet collected and/or monies due but not yet disbursed from the State of Illinois or the federal government; and
- *Due from other funds or others*: receivables that are outstanding at the end of the fiscal year.

Cook County's current ratio was 5.4 in FY2019, the most recent year for which audited data are available. It fell from the prior year ratio of 6.7 because short-term liabilities rose by 37.1%, or \$91.9 million, while short-term assets rose by 10.8% at the same time.

In the five-year period from FY2015 to FY2019, the current ratio rose by 11.3%, from 4.8 to 5.4. The increase occurred because assets increased by a larger amount and percentage than liabilities. Assets increased by \$481.4 million or 35.8% while liabilities concurrently increased by \$61.3 million or 22.0%.

In each of the five years reviewed, the current ratio was far above 2.0, indicating that the County had more than sufficient liquidity.

Cook County Current Ratio of the Governmental Funds: FY2015-FY2019 (in \$ thousands)									
	FY2015	FY2016	FY2017	FY2018	FY2019	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
<b>Current Assets</b>									
Cash and investments	\$ 345,073	\$ 252,538	\$ 214,934	\$ 418,863	\$ 655,421	\$ 236,558	56.5%	\$ 310,348	89.9%
Cash and investments with escrow agent	\$ 161	\$ 95	\$ 2,854	\$ 5,346	\$ 8,580	\$ 3,234	60.5%	\$ 8,419	---
Cash and investments with trustees	\$ 87,865	\$ 63,422	\$ 138,166	\$ 67,299	\$ 22,088	\$ (45,211)	-67.2%	\$ (65,777)	-74.9%
Taxes receivable net - tax levy current year	\$ 580,328	\$ 619,812	\$ 660,443	\$ 679,868	\$ 684,921	\$ 5,053	0.7%	\$ 104,593	18.0%
Taxes receivable net - tax levy prior year	\$ 19,792	\$ 10,995	\$ 9,167	\$ 12,811	\$ 7,594	\$ (5,217)	-40.7%	\$ (12,198)	-61.6%
Accrued interest receivable	\$ 551	\$ 473	\$ 547	\$ 550	\$ 551	\$ 1	0.2%	\$ -	0.0%
Accounts receivable - due from others	\$ 35,414	\$ 35,432	\$ 50,960	\$ 41,214	\$ 39,164	\$ (2,050)	-5.0%	\$ 3,750	10.6%
Accounts receivable - due from other governments	\$ 215,368	\$ 308,796	\$ 332,129	\$ 326,587	\$ 335,498	\$ 8,911	2.7%	\$ 120,130	55.8%
Due from other funds	\$ 25,043	\$ 42,945	\$ 129,043	\$ 77,786	\$ 57,189	\$ (20,597)	-26.5%	\$ 32,146	128.4%
Loans Receivable	\$ 36,245	\$ 26,946	\$ 20,403	\$ 18,328	\$ 16,242	\$ (2,086)	-11.4%	\$ (20,003)	-55.2%
<b>Total Current Assets</b>	<b>\$ 1,345,840</b>	<b>\$ 1,361,454</b>	<b>\$ 1,558,646</b>	<b>\$ 1,648,652</b>	<b>\$ 1,827,248</b>	<b>\$ 178,596</b>	<b>10.8%</b>	<b>\$ 481,408</b>	<b>35.8%</b>
<b>Current Liabilities</b>									
Accounts Payable	\$ 148,862	\$ 131,626	\$ 140,766	\$ 118,293	\$ 154,715	\$ 36,422	30.8%	\$ 5,853	3.9%
Retainage payable	\$ 2,271	\$ -	\$ -	\$ -	\$ -	---	---	\$ (2,271)	-100.0%
Accrued Salaries Payable	\$ 73,777	\$ 56,281	\$ 57,324	\$ 29,402	\$ 22,697	\$ (6,705)	-22.8%	\$ (51,080)	-69.2%
Line of Credit Payable	\$ -	\$ -	\$ -	\$ -	\$ 80,105	\$ 80,105	---	\$ 80,105	---
Amounts held for outstanding warrants	\$ 1,490	\$ 1,392	\$ 1,381	\$ 1,374	\$ 1,520	\$ 146	10.6%	\$ 30	2.0%
Due to Other Funds	\$ 40,962	\$ 50,340	\$ 132,872	\$ 88,703	\$ 68,024	\$ (20,679)	-23.3%	\$ 27,062	66.1%
Due to Others	\$ 10,716	\$ 12,234	\$ 17,183	\$ 9,710	\$ 12,304	\$ 2,594	26.7%	\$ 1,588	14.8%
<b>Total Current Liabilities</b>	<b>\$ 278,078</b>	<b>\$ 251,873</b>	<b>\$ 349,526</b>	<b>\$ 247,482</b>	<b>\$ 339,365</b>	<b>\$ 91,883</b>	<b>37.1%</b>	<b>\$ 61,287</b>	<b>22.0%</b>
<b>Current Ratio</b>	<b>4.8</b>	<b>5.4</b>	<b>4.5</b>	<b>6.7</b>	<b>5.4</b>		<b>-19.2%</b>		<b>11.3%</b>

Source: Cook County Comprehensive Annual Financial Reports, Governmental Funds Balance Sheets.

## LONG-TERM LIABILITIES

This section of the analysis examines trends in Cook County's long-term liabilities. It includes information about all long-term obligations, long-term debt, long-term debt per capita and bond ratings. 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.<sup>225</sup>

### **Total Long-Term Liabilities**

Long-term liabilities are all of the liabilities owed by a government. Increases in long-term obligations over time could be a sign of fiscal stress. They include long-term debt as well as:

- *Estimated pollution related liabilities*: Reflect reporting for remediation obligations of existing pollution in accordance with GASB Statement No. 49;<sup>226</sup>
- *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;<sup>227</sup>
- *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;<sup>228</sup>
- *Compensated absences*: Liabilities owed for employees' time off with pay for vacations, holidays and sick days;
- *Net Pension Liabilities*: Cook County reports 100% of the Pension Fund's net pension liability in the Statement of Net Position to comply with GASB Statement No. 68 requirements. Before 2015, this liability was reported in the Statement of Net Position as a Net Pension Obligation or NPO. This was the cumulative difference since the effective date of GASB Statement No. 27 between the annual pension cost and the employer's contributions to the plan and included the pension liability at transition (beginning pension liability) and excluded short-term differences and unpaid contributions that had been converted to pension-related debt. The change reflects a more holistic approach to measuring the liabilities of the government, which the previous NPO pension measurement did not. The amount owed by Cook County to the pension fund is now being reported more transparently; and
- *Net Other Post Employment Benefit (OPEB) Obligations*:<sup>229</sup> Beginning with the FY2018 CAFR, Cook County implemented GASB Statement No. 75 requirements to report net OPEB liability as the portion of the present value of projected benefit payments to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the OPEB plan's fiduciary net position.<sup>230</sup> Prior to FY2018,

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<sup>225</sup> Governmental Accounting Standards Board, "Summary of Statement No. 14 *The Financial Reporting Entity* (Issued 6/91)," <http://www.gasb.org/st/summary/gstsm14.html> and Cook County FY2012 Comprehensive Annual Financial Report, p. 48.

<sup>226</sup> 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>.

<sup>227</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 100.

<sup>228</sup> Cook County FY2019 Comprehensive Annual Financial Report, p. 98.

<sup>229</sup> 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.

<sup>230</sup> 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](https://www.gasb.org/cs/ContentServer?cid=1176166370763&d=&pagename=GASB%2FPronouncement_C%2FGASBSummaryPage).

under the requirements of GASB Statement No. 45, net Other Post-Employment Benefit (OPEB) liabilities were reported as the cumulative difference between the annual OPEB cost and the employer's contributions to its OPEB Plan. The change in reporting standards reflects a more holistic approach to measuring the liabilities of the government, which the previous net other post-employment measurement did not. The amount owed by the County for retiree health insurance to its pension is now being reported more transparently.

In the two-year period between FY2018 and FY2019, total long-term liabilities declined by 8.9%, declining from \$14.1 billion to \$12.8 billion. Much of the decline was due to a combined \$1.2 billion decrease in net pension liabilities and other post-employment liabilities. The amount of long-term debt outstanding between those two years fell by 4.8% or \$171.0 million.

In the five-year period between FY2015 and FY2019, total County long-term obligations declined by 6.0%, decreasing from \$13.7 billion to \$12.8 billion. Long-term debt fell by 6.4% or \$232.2 million. Most of the total five-year decrease was due to a \$852.1 million decline in net pension obligations.

Cook County Long-Term Liabilities for Governmental Activities: FY2015-FY2019 (in \$ thousands)									
	FY2015	FY2016	FY2017	FY2018	FY2019	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Total General Obligation Bonds	\$ 3,471,017	\$ 3,319,677	\$ 3,361,102	\$ 3,372,227	\$ 3,218,327	\$ (153,900)	-4.6%	\$ (252,690)	-7.3%
Net Premium*	\$ 149,826	\$ 180,344	\$ 184,116	\$ 187,341	\$ 170,270	\$ (17,071)	-9.1%	\$ 20,444	13.6%
<b>Subtotal Long-Term Debt</b>	<b>\$ 3,620,843</b>	<b>\$ 3,500,021</b>	<b>\$ 3,545,218</b>	<b>\$ 3,559,568</b>	<b>\$ 3,388,597</b>	<b>\$ (170,971)</b>	<b>-4.8%</b>	<b>\$ (232,246)</b>	<b>-6.4%</b>
Note Payable	\$ 6,524	\$ 78,129	\$ 18,814	\$ 15,607	\$ 15,369	---	---	---	---
Self Insurance Claims	\$ 224,608	\$ 212,800	\$ 261,956	\$ 309,590	\$ 445,521	\$ 135,931	43.9%	\$ 220,913	98.4%
Property Tax Objections	\$ 82,384	\$ 79,324	\$ 80,028	\$ 81,177	\$ 71,965	\$ (9,212)	-11.3%	\$ (10,419)	-12.6%
Pollution Remediation Liability	\$ 1,347	\$ 673	\$ 1,891	\$ 1,458	\$ 642	\$ (816)	-56.0%	\$ (705)	-52.3%
Compensated Absences	\$ 63,348	\$ 67,538	\$ 58,618	\$ 56,574	\$ 55,736	\$ (838)	-1.5%	\$ (7,612)	-12.0%
Net Pension Liabilities**	\$ 8,644,939	\$ 10,457,155	\$ 9,620,026	\$ 8,565,389	\$ 7,792,827	\$ (772,562)	-9.0%	\$ (852,112)	-9.9%
Net OPEB Liabilities***	\$ 1,010,795	\$ 1,166,232	\$ 1,583,327	\$ 1,506,488	\$ 1,069,026	\$ (437,462)	-29.0%	\$ 58,231	5.8%
<b>Subtotal Other Long-Term Liabilities</b>	<b>\$ 10,033,945</b>	<b>\$ 12,061,851</b>	<b>\$ 11,624,660</b>	<b>\$ 10,536,283</b>	<b>\$ 9,451,086</b>	<b>\$ (1,085,197)</b>	<b>-10.3%</b>	<b>\$ (582,859)</b>	<b>-5.8%</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 13,654,788</b>	<b>\$ 15,561,872</b>	<b>\$ 15,169,878</b>	<b>\$ 14,095,851</b>	<b>\$ 12,839,683</b>	<b>\$ (1,256,168)</b>	<b>-8.9%</b>	<b>\$ (815,105)</b>	<b>-6.0%</b>

\* 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.

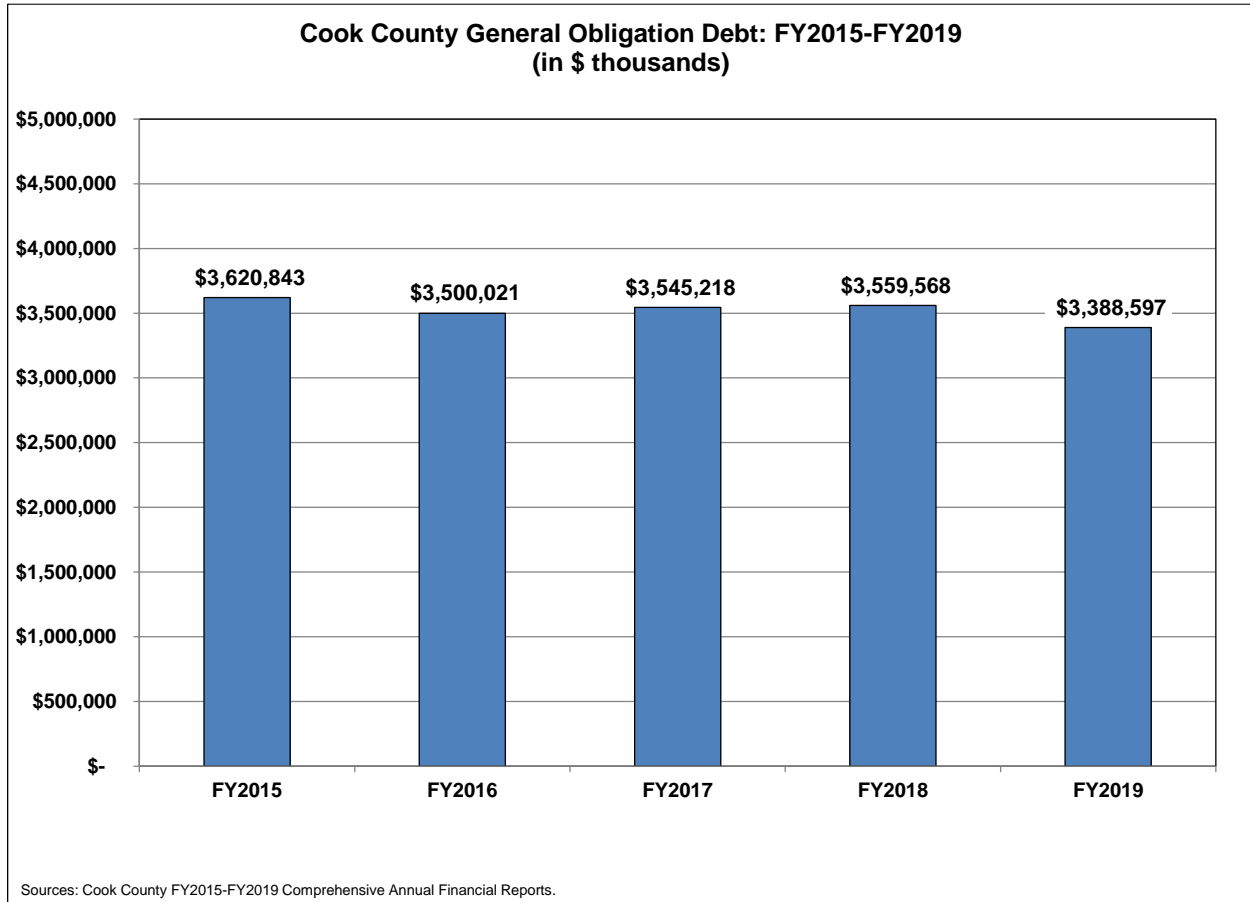
\*\* As of FY2015, governments report 100% of their net pension liabilities rather than the net pension obligations.

\*\*\*Net OPEB liabilities for FY2017 were restated in FY2018 to meet the requirements of GASB 75.

## 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

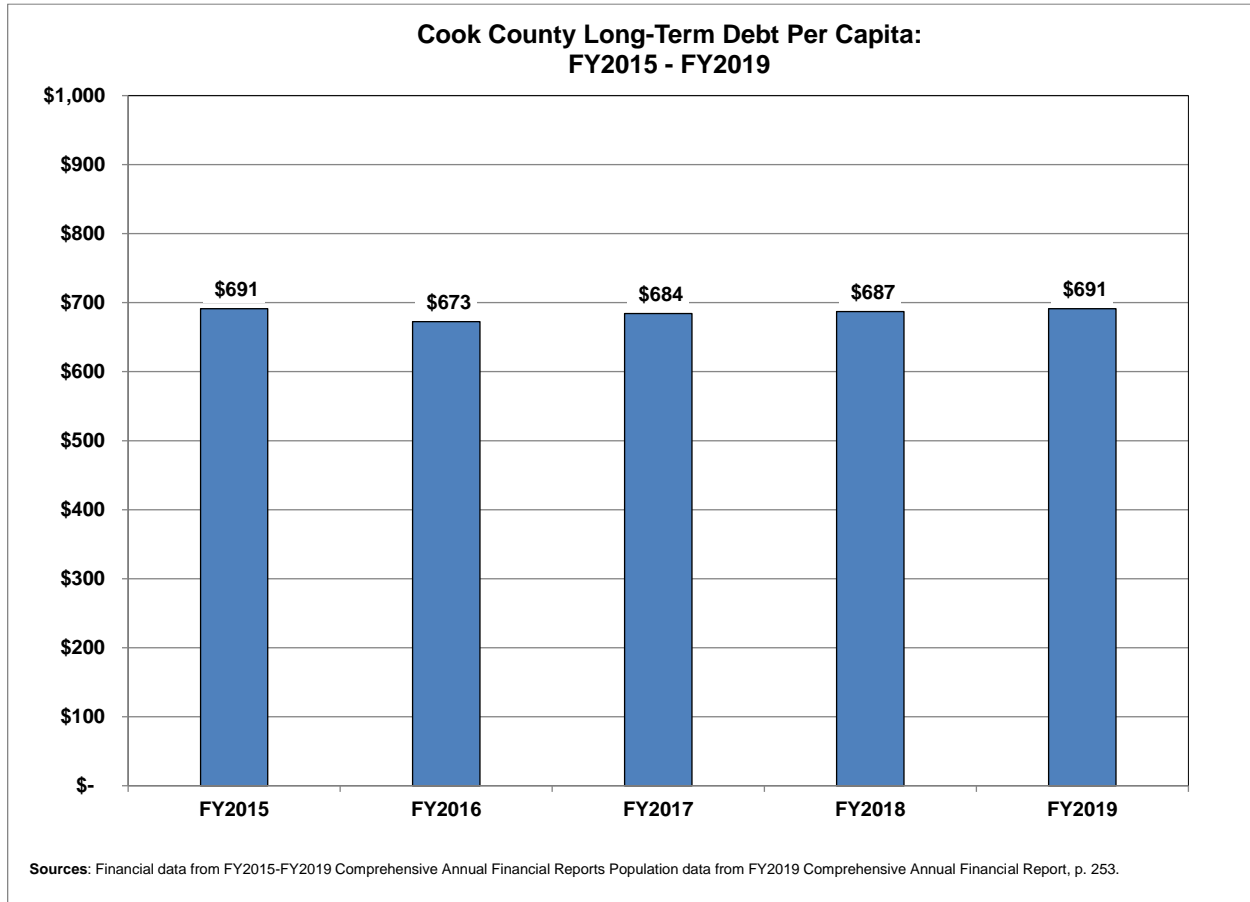
debt is general obligation debt. Long-term debt declined between FY2015 and FY2019 from \$3.6 billion to \$3.4 billion. This is a 6.4%, or \$232.2 million, decrease.



### 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 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 was stable between FY2015 and FY2019 at \$691. Over the five-year period, long-term debt per capita averaged

\$685. Despite the decrease in the County’s long-term debt during this period, the debt per capita ratio remained the same because the Cook County population also decreased.



### 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.<sup>231</sup> The County has not come close to the 15.0% threshold in the five years examined. The debt service ratio has declined over this period, from a high of 6.0% in FY2017 to a low of 3.8% for the FY2021 proposed budget.

<b>Cook County Debt Service Expenditures as a Percentage of Total Appropriations: FY2017-FY2021</b>					
	<b>FY2017 Actual</b>	<b>FY2018 Actual</b>	<b>FY2019 Actual</b>	<b>FY2020 Appropriation</b>	<b>FY2021 Proposed</b>
Debt Service Expenditures	\$ 277,133,392	\$ 280,368,569	\$ 259,871,339	\$ 259,940,094	\$ 261,964,428
Total Expenditures	\$4,653,989,522	\$5,477,668,892	\$5,865,304,807	\$6,199,241,738	\$6,916,603,001
<b>Debt Service as a % of Total Expenditures</b>	<b>6.0%</b>	<b>5.1%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>3.8%</b>

Source: Cook County FY2021 Executive Budget Recommendation, Volume I, p. 101.

<sup>231</sup> 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.

## Cook County Bond Ratings

Current Cook County bond ratings as of October 2020 are shown in the table below.

Cook County Bond Ratings		
	Rating	Outlook
General Obligation Debt		
Moody's Investors Services	A2	Stable
Standard & Poor's	A+	Negative
Fitch Ratings	A+	Stable
Sales Tax Debt		
Standard & Poor's	AA-	Negative
Kroll	AAA	Stable

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

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.<sup>232</sup> 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.<sup>233</sup>

In December 2018, Standard and Poor's reduced Cook County's sales tax bond rating from AAA to AA with a negative outlook due to changes in its rating criteria.<sup>234</sup>

Standard and Poor's changed its outlook on Cook County general obligation bonds from stable to negative in January 2018 citing the low funded ratio of the County's pension funds. The action came despite the County's increasing funding for its retirement system.<sup>235</sup>

## COOK COUNTY CAPITAL BUDGET AND PLAN

Cook County proposes to appropriate a total capital budget of approximately \$517.1 million in FY2021. The graph below shows the sources of funding for the capital budget. Approximately 67.8% of all capital funds, or \$350.7 million, will be derived from general obligation debt fund proceeds. Approximately 27.2%, or \$140.5 million, of capital funding will come from highway

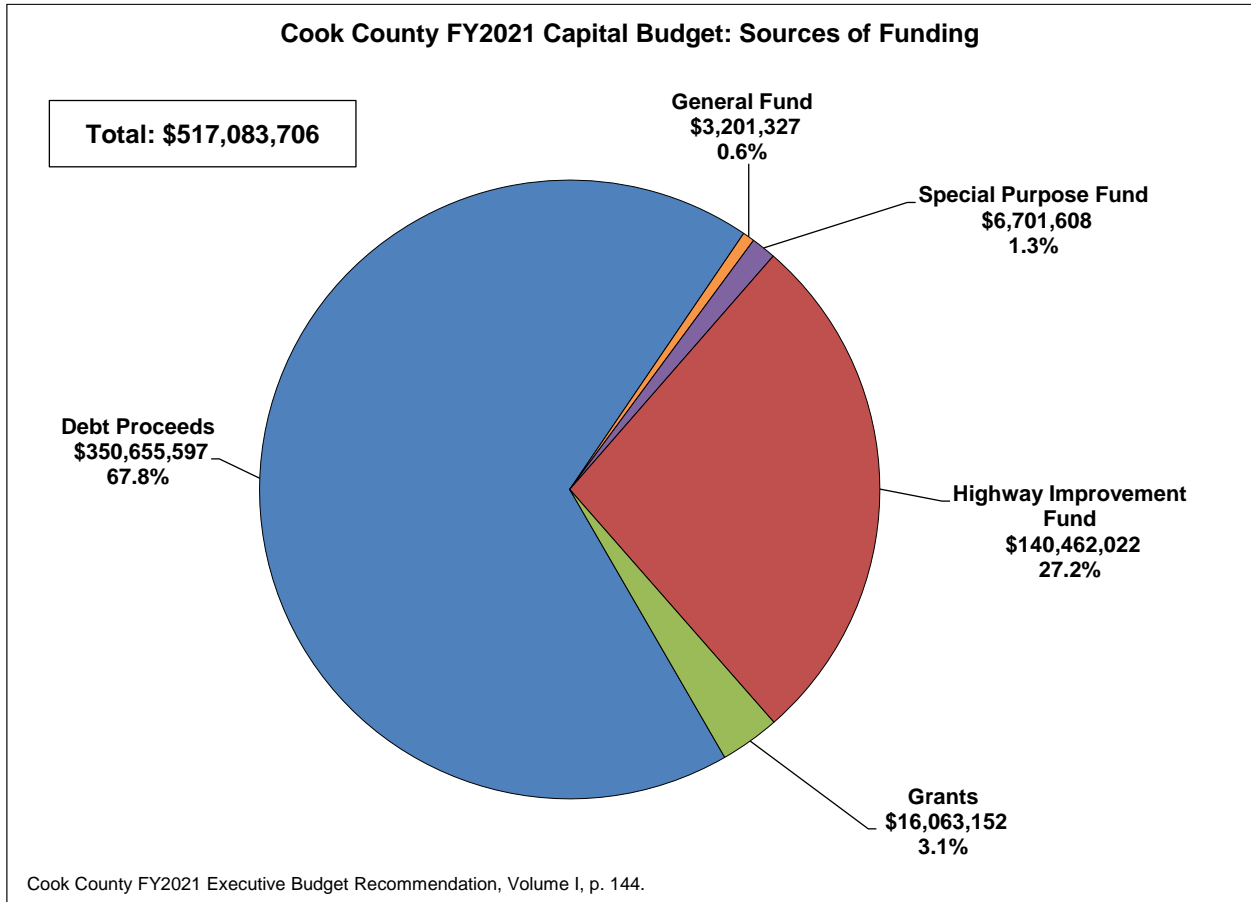
<sup>232</sup> Rachel Hinton. "Cook County bond rating slips a notch," Chicago Sun Times, January 10, 2020 at <https://chicago.suntimes.com/politics/2020/1/10/21060747/cook-county-bond-rating-s-p-downgrade-notch>.

<sup>233</sup> 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>.

<sup>234</sup> Cook County FY2018 Comprehensive Annual Financial Report, p. 24.

<sup>235</sup> *Bond Buyer*. "Persistent pension pressures trigger a negative outlook on Cook County," January 9, 2018 at [bondbuyer.com](http://bondbuyer.com).

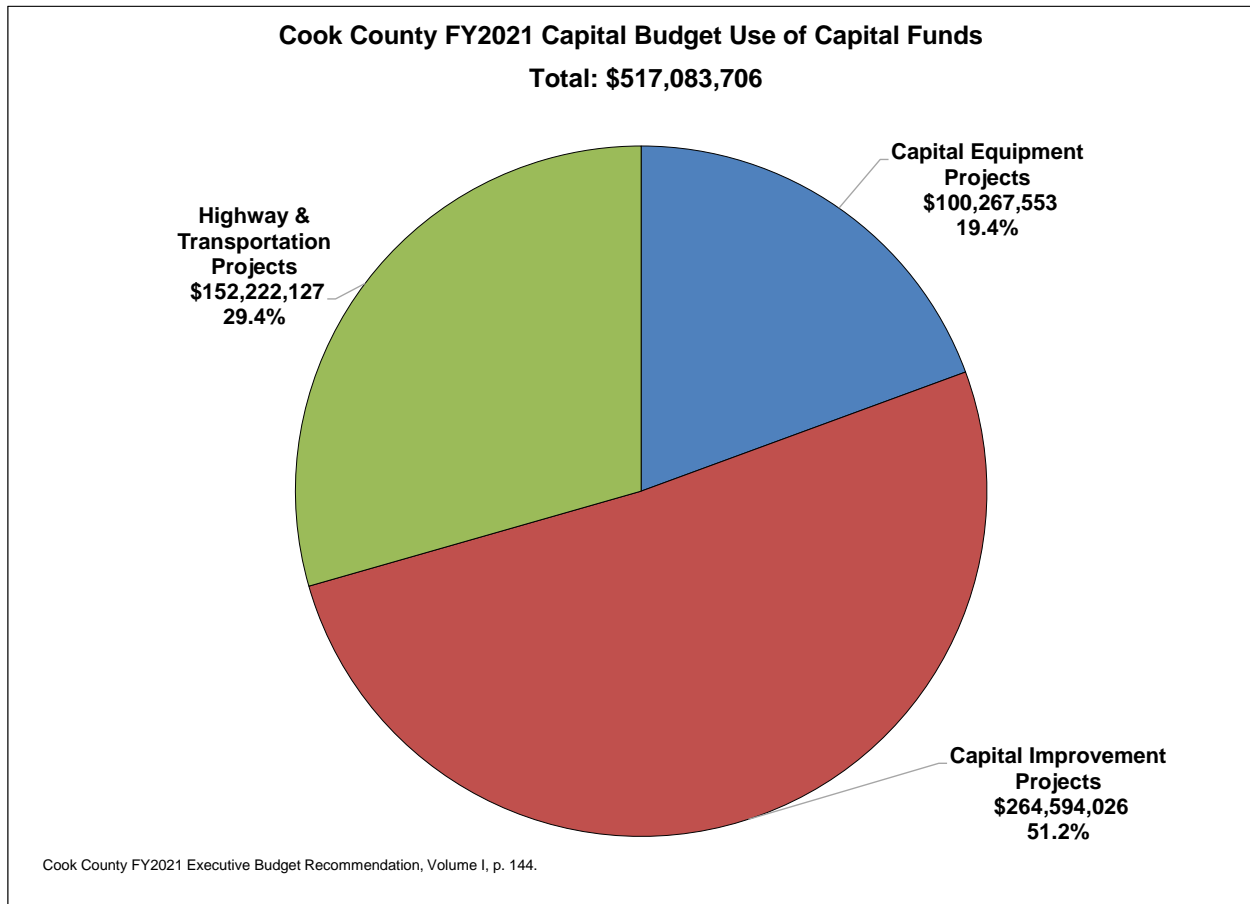
improvement funds. Smaller amounts will be funded by grants, the General Fund and the Special Purpose Funds.



Cook County will use 51.2%, or \$264.6 million, of its FY2021 capital budget for capital improvement projects. Highway and transportation projects are expected to total 29.4% of the



capital budget, or \$152.2 million. Capital equipment investments will account for 19.4%, or \$100.3 million, of the total capital budget.



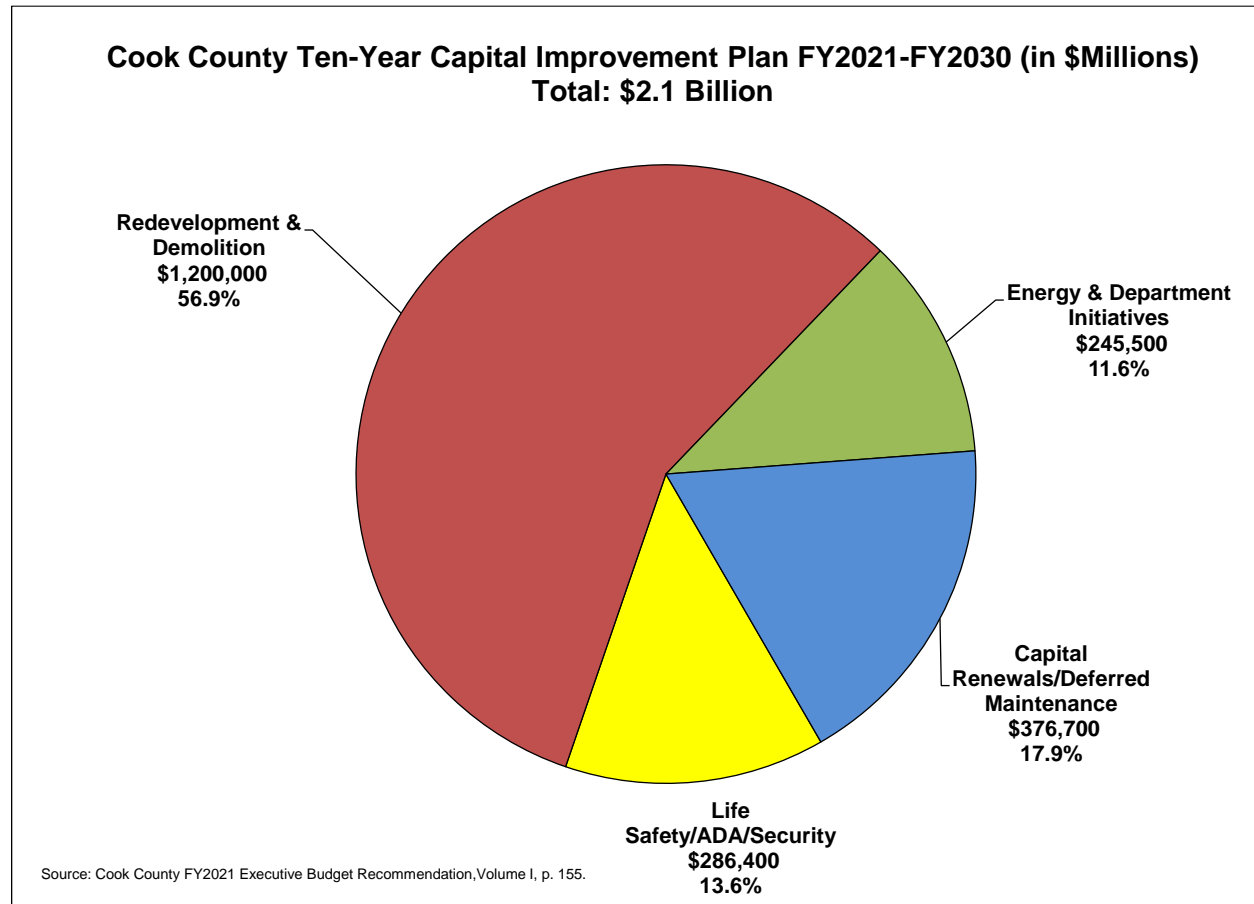
### ***The FY2021-FY2030 Capital Improvement Plan***

Cook County’s proposed 10-year capital improvement plan (CIP) for FY2021 to FY2030 includes approximately \$2.1 billion of infrastructure investment. These projects are ranked using a facilities condition assessment.<sup>236</sup> The CIP includes an overview of the proposed infrastructure investment by category of need and area of expense as well as some narrative description of the projects to be undertaken. The document also includes a list of all of the projects included in the CIP and the annual amounts needed for each to complete the plan.

The graph below shows that 56.9%, or \$1.2 billion, of the capital expenditures between FY2021 and FY2030 will be earmarked for redevelopment and demolition projects. Approximately 18% or \$376.7 million, will be used for capital project renewals and to address deferred maintenance.

<sup>236</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 154-155.

Smaller amounts are earmarked for energy and departmental initiatives and life safety projects, compliance with the American with Disabilities Act (ADA) and security improvements.



### Review of Cook County CIP

According to the National Advisory Council on State and Local Budgeting’s best practices for capital budgeting, a complete capital improvement plan (CIP) includes the following elements:<sup>237</sup>

- A comprehensive inventory of all government-owned assets, with description of useful life and current condition;
- A narrative description of the CIP process, including how criteria for projects were determined and whether materials and meetings were made available to the public;
- A five-year summary list of all projects and expenditures per project as well as funding sources per project;
- Criteria for projects to earn funding in the capital budget, including a description of an objective and needs-based prioritization process;
- Publicly available list of project rankings based on the criteria and prioritization process;

<sup>237</sup> National Advisory Council on State and Local Budgeting Recommended Practice 9.10: Develop a Capital Improvement Plan, p. 34; Government Finance Officers Association, Best Practices, Development of Capital Planning Policies, October 2011.

- Information about the impact of capital spending on the annual operating budget of each project;
- Annual updates on actual costs and changes in scope as projects progress;
- Brief narrative descriptions of individual projects, including the purpose, need, history, and current status of each project; and
- An expected timeframe for completing each project and a plan for fulfilling overall capital priorities.

Once the CIP process is completed, the plan should be formally adopted by the governing body and integrated into its long-term financial plan. There should be opportunities for public input into the process. A well-organized and annually updated CIP helps ensure efficient and predictable execution of capital projects and helps efficiently allocate scarce resources. It is important that a capital budget prioritize and fund the most critical infrastructure needs before funding new facilities or initiatives.

Cook County's CIP includes most of the elements of a best practice CIP, such as including a narrative description of the process, using a prioritization system to select projects and making the CIP available on the web. However, certain elements are still lacking.

- The budget document explains in detail how projects were ranked, but it does not provide the actual rankings of the proposed expenditures;
- A brief discussion of the relationship between the capital and operating budgets is provided and certain positive impacts of capital expenditures are highlighted in the capital budget section of the Executive Budget Recommendation. Some line item information is provided about the impact of capital spending per project on operating budgets, but there is no narrative explanation describing that impact;<sup>238</sup>
- Narrative information is provided about many projects, but narrative descriptions of all County individual projects, including the purpose, need, history and current status of each project, are not provided; and
- The CIP is not approved by the Board of Commissioners as a stand-alone document. It is included in the Cook County budget.

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<sup>238</sup> Cook County FY2021 Executive Budget Recommendation, Volume 1, pp. 133.

## Cook County Capital Improvement Program Checklist

<b>Does the government prepare a formal capital improvement plan?</b>	Yes
<b>How often is the CIP updated?</b>	Annually
<b>Does the capital improvement plan include:</b> <ul style="list-style-type: none"> <li>• <i>A narrative description of the CIP process?</i></li> <li>• <i>A five-year summary list of projects and expenditures per project as well as funding sources per project?</i></li> <li>• <i>Information about the impact and amount of capital spending on the annual operating budget for each project?</i></li> <li>• <i>Brief narrative descriptions of individual projects, including the purpose, need, history and current status of each project?</i></li> <li>• <i>The time frame for fulfilling capital projects?</i></li> </ul>	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Discussions of public safety, public health and corporate fund projects and Transportation &amp; Highway projects</p> <p style="text-align: center;">Yes</p>
<b>Are projects ranked and/or selected according to a formal prioritization or needs assessment process?</b>	Yes
<b>Is the capital improvement plan made publicly available for review by elected officials and citizens?</b> <ul style="list-style-type: none"> <li>• <i>Is the CIP published in the budget or a separate document?</i></li> <li>• <i>Is the CIP available on the Web?</i></li> </ul>	<p style="text-align: center;">In the Budget Book</p> <p style="text-align: center;">Yes<sup>239</sup></p>
<b>Are there opportunities for stakeholders to provide input into the CIP?</b> <ul style="list-style-type: none"> <li>• <i>Is there stakeholder participation on a CIP advisory or priority setting committee?</i></li> <li>• <i>Does the governing body hold a formal public hearing at which stakeholders may testify?</i></li> <li>• <i>Is the public permitted at least ten working days to review the CIP prior to a public hearing?</i></li> </ul>	<p style="text-align: center;">No</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p>
<b>Is the CIP formally approved by the governing body of the government?</b>	As part of the budget

<sup>239</sup> The Cook County Capital Improvement Plan is available at [https://www.cookcountyil.gov/sites/default/files/service/volume-i-budget-overview-fy21-executive-budget-recommendation\\_0.pdf](https://www.cookcountyil.gov/sites/default/files/service/volume-i-budget-overview-fy21-executive-budget-recommendation_0.pdf). See pages 135-240.