



**COOK COUNTY
FY2004 PROPOSED BUDGET
Analysis and Recommendations**

**Prepared By
The Civic Federation
November 19, 2003**

EXECUTIVE SUMMARY

Cook County proposes a FY2004 budget of \$2.99 billion. The County faced a \$100 million deficit, which will be addressed through the imposition of a sales tax increase and a new lease transaction tax as well as some savings generated from the County's early retirement program. The property tax levy is frozen at \$720 million for the third year in a row.

The Civic Federation **opposes** the County's FY2004 budget. Our opposition is based on the following points:

- The budget does **not** reduce operational expenditures or implement increased efficiencies.
- It is balanced by means of two new and unnecessary revenue enhancements, an increase in the County's home rule sales tax from 0.75% to 1.0% and a new 4% personal property lease transaction tax that will generate \$58 million in FY2004.
- The sales tax increase will push the composite sales tax within the City of Chicago to one of the highest rates in the country, driving many consumers to purchase goods in lower tax suburbs or states.
- The increase in the personal property lease transaction tax, which will rise to 10% within the City of Chicago, could drive businesses that lease equipment such as auto dealers out of the County.
- The budget could have been balanced easily by a number of other cost containment measures and strategies, such as freezing appropriations to the FY2003 level, limiting the rate of increase for appropriations to 3%, increasing employee health insurance co-payments, reducing the amount of appropriated fund balance resources or outsourcing janitorial services.

The Civic Federation offers the following **key findings** on the Cook County FY2004 budget:

- The FY2004 budget will increase by 4% or \$123.9 million, from \$2.87 billion to \$2.99 billion.
- The number of full-time equivalent positions will decrease by 246, from 26,768 to 26,521. Most of the decrease is due to the effects of the early retirement initiative.
- Cook County has reduced its workforce by 2.2% since FY2000. During the same time, the City of Chicago reduced its workforce by 6.1%.
- The new personal property lease transaction tax will be used in place of property tax revenues to fund Public Safety expenditures.

The Civic Federation offers the following specific **recommendations** on ways to improve Cook County's revenue stream and financial management:

- The President should more forcefully use the budget authority he already possesses to control costs, including spending by the other elected officials.
- Cook County should implement the remaining recommendations of the 2001 County Operations Review Team (CORT) report. The report presented 117 recommendations that identified as much as \$129 million in savings. Most of these recommendations have yet to be acted upon.
- The unnecessary and wasteful Suburban Cook County Tuberculosis Sanitarium District should be dissolved and its assets transferred to the Cook County Bureau of Health Services. An asset transfer action would immediately generate at least \$9.6 million.
- The County should eliminate automatic annual step increases for its employees, who also receive annual cost of living increases. The step increase costs \$26 million annually.
- Cook County should pursue joint purchasing of health insurance with other local governments and save as much as \$22.5 million per year.
- Janitorial services should be removed from the jurisdiction of the Sheriff and outsourced for an annual savings of as much as \$5 million.
- Employee co-payments for doctor visits should be increased from \$3 to \$10, saving the County as much as \$7.5 million annually.

STATEMENT MADE AT THE PUBLIC HEARING ON THE PROPOSED FY2004 COOK COUNTY BUDGET, NOVEMBER 19, 2003

The Civic Federation would like to thank President Stroger, Finance Chairman Daley, and the members of the Board of Commissioners for this opportunity to comment on the proposed FY2004 Cook County budget. We would also like to cite CFO Thomas Glaser, Budget Director Grace Colbert, Comptroller John Chambers and the County's financial management staff for their efforts in preparing this budget. We greatly appreciate the cooperation we have received from them and County budget and finance office staff in preparing this analysis.

The Civic Federation is a government tax and fiscal research organization. We have monitored and commented on the fiscal health of local area governments since 1894.

OVERVIEW OF TESTIMONY

The Civic Federation recently concluded an analysis of financial issues related to Cook County's proposed FY2004 budget. Based upon that review, we would like to offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civiced.org.

The Civic Federation **opposes** the FY2004 Cook County budget because it does not reduce operational expenses or implement increased efficiencies and it is balanced by means of unnecessary tax increases. We believe that tax or fee hikes always should be a last resort and they should be coupled with significant operational cuts and efficiencies.

The Civic Federation does applaud President Stroger for freezing the property tax levy for the third year in a row. This is a positive step and we congratulate him for continuing on this path.

However, instead of increasing the County's sales tax from 0.75% to 1.0% and levying a new 4% personal property lease transaction tax, Cook County should have followed the lead of Mayor Daley in balancing the County budget this year. The Mayor's 2004 budget focuses on operational cost-savings from eliminating 1,400 positions and the implementation of a variety of management efficiencies. It follows his 2003 budget, which eliminated 1,200 positions. Since 2000, the City has shrunk its workforce by 6%. The Mayor understands that the traditional path of balancing budget deficits with hefty tax hikes is counterproductive, particularly as businesses struggle to emerge from a weakened economy. Instead, the emphasis must be on improving operations by making government leaner and more productive. At a time when the private sector is reducing all costs, including personnel costs, the public sector must apply the same discipline.

The Civic Federation strongly opposes the new revenue enhancements proposed in this budget. This budget could easily have been balanced without them. The increase in the County's home rule sales tax will push sales taxes in the City of Chicago to 9%, one of the highest rates in the nation. It will be a further disincentive for Chicagoans to purchase "big ticket" consumer goods, persuading many of them to purchase goods in the lower tax suburbs or Indiana. The new lease tax on cars and equipment will push the lease tax rate in Chicago to a hefty 10%. It will help drive the remaining Cook County auto dealerships out of the County. We are also concerned about projections that the two taxes, when fully in place, will generate as much as \$150 million per year. What justification is there for those additional revenues? What will they be spent on? In the absence of a long-term planning process, we just don't know.

We believe that there are number of alternative strategies Cook County could employ to balance the FY2004 budget without new tax increases. Natural revenue growth without the new proposed revenues is projected to generate \$63.7 million alone; this amount would have been sufficient to increase the FY2003 appropriation by 2.2%. Cost cutting and revenue enhancement strategies the County could employ include:

- Freezing appropriations at the 2003 level would have saved \$123.9 million (this strategy would have required a shifting of priorities in the budget, including certain spending cuts, because of mandated increases such as for wages and salaries under union contracts);
- Increasing 2003 appropriations by 3% to adjust for inflation would have still saved \$37 million;
- Outsourcing janitorial services at the courthouses could save as much as \$5 million.
- The amount of appropriated fund balance in the FY2004 budget could be reduced.

We believe that the county could put together a plan drawing on these and other ideas to avoid any new taxes without resorting to massive layoffs or major service cuts.

While Cook County faces a short-term problem in eliminating a \$100 million deficit in 2004, it faces a much bigger long-term problem: how to make Cook County government operate more cost effectively and efficiently. There is no shortage of long-term cost cutting ideas. The County's own 2001 County Operations Review Team (CORT) report presented 117 recommendations that identified as much as \$129 million in savings. Most of these recommendations have yet to be acted upon. Some key ideas that have been proposed by the Civic Federation over the years include:

- Dissolving the unnecessary Suburban Cook County Tuberculosis Sanitarium and transferring its functions to the Cook County Bureau of Health Services, which provides the same services far more cost effectively and efficiently. A transfer of District assets from its unreserved fund balance could immediately yield at least \$9.6 million for the County.
- Eliminating automatic step increases for Cook County employees could save as much as \$26 million annually. The County's unusual practice of giving employees automatic cost of living and step increases is antiquated, expensive and far exceeds the practice in most other governments and the private sector.
- Cook County could save as much as \$22.5 million if it purchased health insurance with other major local governments, including the City of Chicago, the Chicago Transit Authority, and the Chicago Public Schools.¹

We would like to emphasize that no County department, including the offices under the County's eleven elected officials, can be spared from any efforts to reduce operational costs. No office or department should be exempted from the drive for fiscal discipline.

¹ Civic Federation. *Feasibility Study of Consolidated Purchasing*. February 23, 2001.

Cook County government must put its fiscal house in order. Imposing fiscal discipline and implementing management efficiencies should be the first line of attack. Only as a last resort should tax increases even be considered.

FY2004 BUDGET HIGHLIGHTS

The proposed FY2004 Cook County budget is \$2.99 billion. It is a \$123.9 million or 4% increase from the FY2003 appropriation. The County faces a deficit of approximately \$100 million. The administration proposes to close that budget gap through the following measures:

- An increase in the County's home rule sales tax from 0.75% to 1.0%. This is projected to generate \$10.5 million in the first year of operation.
- A new County personal property lease transaction tax of 4%. This tax is projected to generate \$47 million in the first year of operation.
- A reduction of 246 in the number of full time equivalent (FTE) positions (from 26,768 to 26,522) due primarily to employees taking early retirement. The early retirement initiative is projected to save the County \$30 million.

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key expenditure and revenue issues and trends likely to affect the County's financial situation in FY2004. The first portion of this section provides some suggestions on how Cook County could eliminate its budget deficit without raising taxes and some long-term cost cutting strategies as well as an analysis of the two new revenue enhancements included in this budget.

Deficit Reduction Strategies for the FY2004 Budget

Cook County faces an immediate problem with its FY2004 budget: How to eliminate its \$100 million deficit. Part of the solution that has been proposed is to increase the County's home rule sales tax from 0.75% to 1.0% and to levy a new 4.0% personal property lease transaction tax. These two new revenue enhancements are expected to generate \$57.5 million in the first year of operation and as much as \$150 million in future years.

The County could have avoided resorting to new taxes by taking one or more of the short-term gap-closing actions listed below. Natural revenue growth without the new proposed revenues is projected to generate \$63.7 million alone; this amount would have been sufficient to increase the FY2003 appropriation by 2.2%. The list provided below is by no means exhaustive, but is meant to present a sampling of the many ways the budget could have been balanced with revenue enhancements.

Short-Term Gap Closing Measures	Amount
Freeze Appropriation to FY03 Level	\$ 123,935,964
Increase FY03 Appropriation 3%	\$ 37,835,360
Increase Health Insurance Co-Payments	\$ 7,500,000
Outsourcing Janitorial Services	\$ 5,000,000

Freeze Appropriations at FY2003 Budget (\$123 Million)

The FY2003 proposed budget was \$2.87 billion and the proposed FY2004 budget is \$2.99 billion. This represents an increase of \$123 million. Freezing appropriations at the previous year's level could save \$123 million. The Civic Federation realizes that certain costs, such as wages and salaries covered by union contracts, will rise automatically each year. Thus, to hold a budget constant at the previous year's level would require a shifting of priorities and cuts in other areas or increased revenues, such as those provided by natural revenue growth.

FY2004 Proposed	\$	2,993,956,107
<u>FY2003 Appropriation</u>	<u>\$</u>	<u>2,870,020,143</u>
Difference	\$	123,935,964

Increase FY2003 Appropriation by 3% (\$37.8 Million)

If the FY2003 appropriation were increased by 3% to compensate for inflationary pressures, \$37.8 million could be saved.

FY2004 Proposed	\$	2,993,956,107
<u>FY2003 Appropriation with 3% Increase</u>	<u>\$</u>	<u>2,956,120,747</u>
Difference	\$	37,835,360

Increase Health Insurance Co-Payments from \$3 to \$10/Visit (\$6.4 to \$7.5 Million)

Currently, non-union and ratified union County employees pay \$3 per medical visits to HMOs. Union employees pay nothing. The co-payment saves the County approximately 0.5% in premium costs. An increase to a \$10 co-payment for non-union and ratified union employees for HMO care would decrease premium costs (\$215 million projected in FY2004) by 3% to 3.5%. This could save the County from \$6.4 million to \$7.5 million.

Contract Out Janitorial Services in Courthouses (\$3 Million to \$5 Million)

The Civic Federation has long advocated that janitorial services be removed from the jurisdiction of the Sheriff and be outsourced. As the 2001 County Operations Review Team (CORT) Report points out, this measure could save as much as \$5 million per year.

Reduce Amount of Appropriated Fund Balance

If our proposals for reducing the proposed FY2004 appropriations were adopted, the County's operating fund balance could be reduced. This could be accomplished if a turnover adjustment higher than 3% were adopted, some portion of the 1,400 vacancies were eliminated or if individual contingency funds were reduced. Reducing the fund balance to 5% of Corporate Fund appropriations would yield \$61 million.

FY2004 Corporate Fund Balance	\$	200,500,000
<u>5% of FY2004 Corporate Fund Appropriations</u>	<u>\$</u>	<u>138,837,047</u>
Difference	\$	61,662,953

Longer-Term Efficiencies

Cook County must explore ways to increase efficiency of operation in the long-term. Two of the measures identified above – contracting out janitorial services and increasing employee co-payments on health insurance – could have recurring beneficial impacts on reducing County costs. *But much more must be done. And there is no shortage of ways to improve efficiency.*

The County's own County Operations Review Team (CORT) report presented 117 recommendations that identified as much as \$129 million in savings. Most of these recommendations have yet to be acted upon. Commissioner Quigley's 2003 report *Reinventing Cook County* has identified several opportunities for savings through the transferring functions or streamlining certain operations.

Some long-term measures that have been proposed by the Civic Federation are listed below.

<u>Long-Term Efficiencies</u>	<u>Amount</u>
Transfer TB District Assets to County	\$ 9,600,000
Eliminate Automatic Employee Step Increases	\$ 26,000,000
Joint Purchasing of Health Insurance	\$ 22,500,000

Dissolve the Suburban Cook County Tuberculosis Sanitarium District and Transfer its Assets to Cook County (\$9.6 Million)

The Suburban Cook County Tuberculosis Sanitarium District is an unnecessary and wasteful unit of government, as the Civic Federation has amply documented in our recent report on the subject.² The District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services far more cost effectively and efficiently, and unneeded assets such as land and buildings should be sold. A transfer of District assets from its unreserved fund balance could immediately yield a one-time infusion of \$9.6 million for the County. Adopting this policy would require the County to administer the health services currently provided by the TB District.

² Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. October 20, 2003.

Eliminate Automatic Annual Step Increases for Employees (\$26 Million)

Cook County employees receive both cost of living adjustments (COLA) and step increases each year. The COLA increased the FY2004 personal services appropriation by \$14 million per 1% increase. The step increases costs approximately \$26 million per year. The Civic Federation believes that the County should prepare for further negotiations with both union and non-union officials to end the unusual practice of giving employees automatic cost of living and step increases. Such antiquated personnel practices are expensive and far exceed the practice in most other governments and the private sector.

Joint Purchasing of Health Insurance with Other Major Local Governments (\$22.5 Million)

Cook County could save as much as \$22.5 million if it purchased health insurance with other major local governments, including the City of Chicago, the Chicago Transit Authority, the City Colleges of Chicago, the Chicago Park District, the Chicago Housing Authority and the Chicago Public Schools.³

Proposed New Revenue Enhancements: Sales and Lease Taxes

As part of a strategy to eliminate its \$100 million deficit, Cook County has proposed two tax increases:

- Increase the home rule **sales tax** from 0.75% to 1.0%,
- Levy a new 4.0% personal property **lease transaction tax**.

These two new revenue enhancements are expected to generate \$57.5 million in the first year of operation and as much as \$150 million in future years. **The Civic Federation opposes the imposition of both of these taxes.**

Home Rule Sales Tax Increase From 0.75% to 1.0%

The Cook County FY04 Budget recommendations include increasing the Home Rule County Retailer's Occupation Tax (55 ILCS 5/5-1006) from its current rate of 0.75% of gross receipts to 1.0% of gross receipts. This tax is imposed on the same general merchandise base as the State sales tax. It is collected by the State of Illinois and disbursed to the County. The County expects the increase to be implemented on July 1, 2004, with the first collections to be disbursed to the County 90 days later. During FY2004 the increased rate is anticipated to generate an additional \$11 million. The County's projections indicate that the increase would generate \$75 million if it were effective for the entire fiscal year.

The prediction of an additional \$75 million in sales tax revenue is consistent with empirical studies of other sales tax increases, which indicate that tax rate increases dampen economic activity. For example, a study of tax rate increases in North Carolina found that in general a 5% increase in the sales tax rate generates only a 3.3% increase in revenue.⁴ If those findings were applied to Cook County's proposed sales tax rate increase, the predicted additional revenue (based on FY2003 revised estimates) would be \$71 million.

³ Civic Federation. *Feasibility Study of Consolidated Purchasing*. February 23, 2001.

⁴ The News & Observer. Raleigh, North Carolina. July 24, 2002

Because economic activity is a dynamic and fluid process not easily captured by taxation, increased rates in one jurisdiction can encourage economic activity to move into areas with lower tax rates so that the participants can realize cost savings. The reasons behind the lower than anticipated sales tax revenue generated by a rate increase can be extrapolated from the available information. If a 0.75% sales tax rate generates \$324.5 million, then the gross sales tax base upon which the tax is levied constitute approximately \$43.3 billion. If a 1.0% sales tax rate generates \$400 million, then the gross sales tax base upon which the tax is levied constitute only \$40 billion. In other words, the increased tax rate has caused a 7.6% or \$3.3 billion decline in economic activity subject to the tax.

Change in Tax Base (in millions of dollars)		
Tax Rate	FY2003 Revenue	Estimated Tax Base
0.75%	\$324.5	\$43,267
1.00%	\$400	\$39,950
Difference	\$75	-\$3,317

Proposed New County Lease Tax

The budget recommendations also include a new personal property lease transaction tax modeled on the City of Chicago’s Personal Property Lease Transaction Tax (Municipal Code: 3-32-030). The County expects the lease transaction tax to be implemented during the first quarter of 2004. During FY2004 the new tax is anticipated to generate approximately \$47 million. The County’s projections indicate that the tax would generate \$75 million if it were effective for the entire fiscal year. Under current Illinois law, those parties in the business of leasing personal property pay sales taxes on the purchase of the property before leasing it to another party. The State does not impose a sales tax on lease payments; the lessor (person who conveys property by lease) is considered the end-user and is required to pay sales tax on the property at the time of purchase.

A County tax modeled on the City of Chicago’s lease transaction tax would be imposed on the privilege of using leased personal property. Therefore, it would be imposed upon the lessee (person who holds personal property under a lease). The lease would be determined to occur at the location where the lessee takes possession or uses the property. However, it is the duty of the lessor to collect the tax and remit it to the County. In order to ensure the collection of the tax, the lessor would be liable for the amount of the tax; and every lessor who leases property into the jurisdiction, regardless of whether or not they are physically located in the jurisdiction, would be required to register with the jurisdiction and to maintain records of leases for 5 years. The Cook County Department of Revenue would have to conduct audits of companies both inside and outside the County that lease personal property to individuals and companies using the property in Cook County.

The City of Chicago projects that its 6% tax on lease transactions in the City will generate approximately \$91 million during FY2004. The addition of another 4% tax on those lease transactions occurring in the City will bring the composite tax rate on lease transactions in Chicago to 10%. Assuming there is no decline in amount of lease transactions, collections by the County within the City of Chicago alone should constitute \$60 million. The additional \$15 million would be generated in suburban areas.

Comparison of Cook County's Gap-Closing Measures with Other Counties

The exhibit below provides a snapshot of how several large counties have eliminated the deficits in their most recent budgets. While some counties have resorted to tax increases, such increases are accompanied by substantial personnel reductions across departments.

GAP CLOSING MEASURES IN SELECTED MAJOR COUNTIES: MOST RECENT AVAILABLE BUDGETS				
COUNTY	BUDGET	DEFICIT	REVENUE ENHANCEMENTS	SPENDING CUTS
Cuyahoga	\$459 million	\$9.7 million	2% sales tax increase; increase in license fees and fines	Hiring freeze; staff reductions; pay freeze on union contracts
Harris	\$890.3 million	\$23.1 million		No cost of living increase for court employees; funding cuts in district court system
Hennepin	\$1.7 billion	\$100 million	2.4% tax levy increase	Personnel reductions in Courts, Public Defender
Los Angeles	\$16.9 billion	\$507.2 million	20% property tax increase; \$109.7 million in General Fund reserves; \$197.5 million in Health Department reserves	Personnel reductions in Health Care, Law Enforcement, Libraries, and Children & Family Services
Marcopa	\$2.3 billion	\$50 million*	1.5% sales tax increase; 2.3% vehicle license tax increase	10% reduction for administrative & non-mandated service departments
San Diego	\$3.9 billion	N/A**	State and federal aid	Personnel reductions in Finance & Government

* Figure represents the county's portation of the total Arizona state budget deficit

**County deficit depends upon magnitude of CA State budget crisis

All Fund Appropriations: 4% Increase from \$2.87 Billion to \$2.99 Billion

Cook County appropriations are projected to increase from \$2.87 billion to approximately \$2.99 billion between FY2003 and FY2004, a 4% increase. Appropriations for Offices Under the President are expected to increase by 6% or \$66 million. Appropriations for those departments controlled by elected officials will rise by 5%, from \$1.1 billion to \$1.2 billion. All elected officials except the Treasurer will receive budgetary increases in FY2004.

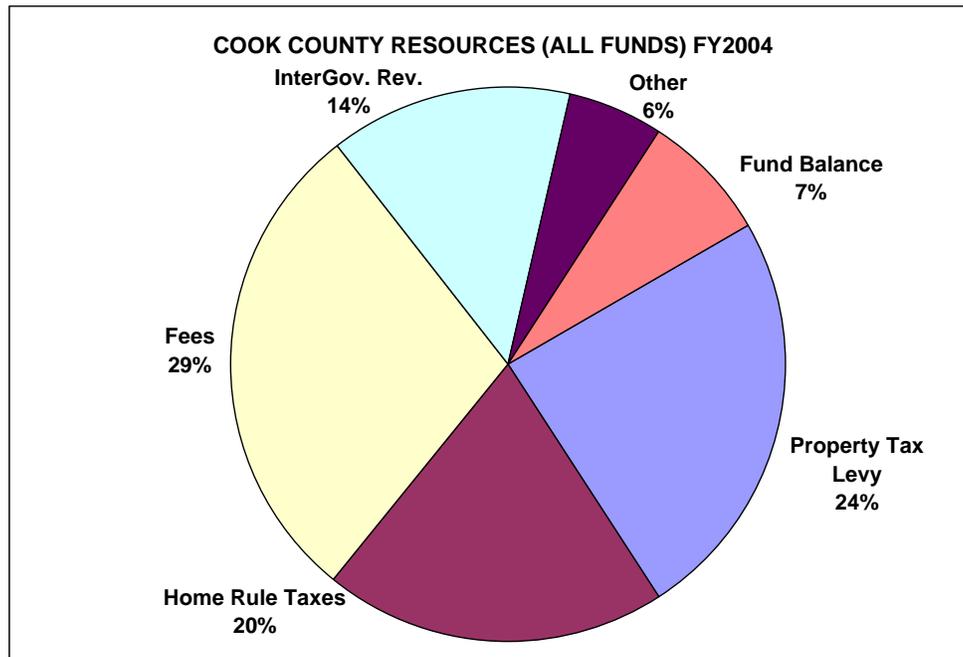
Cook County Appropriations FY2003-FY2004 (All Funds)				
Control Officers	FY2003	FY2004	% Increase FY03-FY04	\$ Increase FY03-FY04
Offices Under President				
Bureau Health Services	\$ 826,584,611	\$ 884,403,731	7%	\$ 57,819,120
Other	\$ 297,312,694	\$ 306,667,303	3%	\$ 9,354,609
Subtotal: Offices Under President	\$ 1,123,897,305	\$ 1,191,071,034	6%	\$ 67,173,729
Sheriff	\$ 406,573,962	\$ 421,218,040	4%	\$ 14,644,078
Chief Judge	\$ 199,832,864	\$ 206,511,090	3%	\$ 6,678,226
State's Attorney	\$ 105,507,521	\$ 109,652,456	4%	\$ 4,144,935
Clerk Circuit Court	\$ 104,990,812	\$ 108,308,756	3%	\$ 3,317,944
County Clerk	\$ 34,855,012	\$ 35,307,575	1%	\$ 452,563
Assessor	\$ 30,575,468	\$ 31,068,265	2%	\$ 492,797
Recorder of Deeds	\$ 16,306,498	\$ 18,829,827	15%	\$ 2,523,329
Treasurer	\$ 14,920,096	\$ 14,626,180	-2%	\$ (293,916)
Election Commissioners	\$ 387,062	\$ 10,940,273	*	\$ 10,553,211
Board of Review	\$ 8,544,899	\$ 9,013,001	5%	\$ 468,102
County Commissioners	\$ 8,406,664	\$ 8,672,959	3%	\$ 266,295
Public Administrator	\$ 1,102,974	\$ 1,141,902	4%	\$ 38,928
Subtotal: Other Elected Officials	\$ 932,003,832	\$ 975,290,324	5%	\$ 43,286,492
Other	\$ 547,369,446	\$ 608,379,591	11%	\$ 61,010,145
Subtotal Operating Funds	\$ 2,603,270,583	\$ 2,774,740,949	7%	\$ 171,470,366
Capital	\$ 266,749,560	\$ 219,215,158	-18%	\$ (47,534,402)
Total Budget	\$ 2,870,020,143	\$ 2,993,956,107	4%	\$ 123,935,964
* The City of Chicago Board of Election Commissioners receives additional non-Corporate Fund support only in election years.				

The next exhibit presents five-year appropriation trend information. Between FY2000 and FY2004, appropriations for the various elected officials rose by 19%, from \$819 million to \$975 million. During the same period, appropriations for the offices under the President increased by 20%. This represented a \$199 million increase, from \$991 million to nearly \$1.2 billion.

Cook County Appropriations FY2000-FY2004 (All Funds)				
Control Officers	FY2000	FY2004	% Increase FY00-FY04	\$ Increase FY00-FY04
Offices Under President				
Bureau Health Services	\$ 726,796,093	\$ 884,403,731	22%	\$ 157,607,638
Other	\$ 265,121,665	\$ 306,667,303	16%	\$ 41,545,638
Subtotal: Offices Under President	\$ 991,917,758	\$ 1,191,071,034	20%	\$ 199,153,276
Sheriff	\$ 357,033,082	\$ 421,218,040	18%	\$ 64,184,958
Chief Judge	\$ 175,068,213	\$ 206,511,090	18%	\$ 31,442,877
State's Attorney	\$ 95,530,829	\$ 109,652,456	15%	\$ 14,121,627
Clerk Circuit Court	\$ 89,531,727	\$ 108,308,756	21%	\$ 18,777,029
County Clerk	\$ 30,137,073	\$ 35,307,575	17%	\$ 5,170,502
Assessor	\$ 25,885,501	\$ 31,068,265	20%	\$ 5,182,764
Recorder of Deeds	\$ 15,649,539	\$ 18,829,827	20%	\$ 3,180,288
Treasurer	\$ 13,810,179	\$ 14,626,180	6%	\$ 816,001
Election Commissioners	\$ 361,963	\$ 10,940,273		\$ 10,578,310
Board of Review	\$ 7,985,200	\$ 9,013,001	13%	\$ 1,027,801
County Commissioners	\$ 7,084,778	\$ 8,672,959	22%	\$ 1,588,181
Public Administrator	\$ 969,368	\$ 1,141,902	18%	\$ 172,534
Subtotal: Other Elected Officials	\$ 819,047,452	\$ 975,290,324	19%	\$ 156,242,872
Other	\$ 529,197,242	\$ 608,379,591	15%	\$ 79,182,349
Subtotal Operating Funds	\$ 2,340,162,452	\$ 2,774,740,949	19%	\$ 434,578,497
Capital	\$ 275,314,745	\$ 219,215,158	-20%	\$ (56,099,587)
Total Budget	\$ 2,615,477,197	\$ 2,993,956,107	14%	\$ 378,478,910

Cook County FY2004 Total Resources: Revenues and Fund Balance of \$2.99 Billion

Cook County total resources include revenues and fund balance. In FY2004, the County estimates that it can draw upon a total of \$2.77 billion in various revenue sources and a fund balance of about \$220 million for a total of \$2.99 billion. The total fund balance represents 7% of **all** resources available. The Corporate Fund balance is \$200.5 million, or approximately 10% of total Corporate Fund revenues of \$2.07 billion.



Cook County Revenues Projected to Increase by 5% in FY2004

Cook County revenues are projected to increase by 5% between FY2003 and FY2004, from \$2.4 billion to \$2.5 billion.⁵ It represents an estimated \$120 million increase. Approximately \$57.5 million of the increase is expected to derive from the new personal property lease tax (\$47 million) and the increase in the County sales tax from 0.75% to 1.0% (\$10.5 million). If these new revenue enhancements were not included in the budget, revenues would increase by 3% or approximately \$63 million.

Fees, the largest single component of the revenue stream, are expected to rise by 8% in FY2004, from \$800.6 million to \$862.6 million. Patient fees alone are projected to rise by 15%, or \$78 million. The property tax levy will be held constant at \$720 million.

⁵ These are FY2003 year end estimate figures in the 2004 budget, not the original budgeted amounts in the FY2003 proposed budget.

COOK COUNTY REVENUES FY2003-FY2004 (\$000s)				
TAX OR FEE	FY03	FY04	# CHG 03-'04	% CHG 03-'04
Property Taxes	\$ 720,483	\$ 720,483	\$ -	0%
Home Rule Taxes				
Sales	\$ 324,500	\$ 335,000	\$ 10,500	3%
Alcoholic Beverage	\$ 24,000	\$ 24,000	\$ -	0%
Cigarette	\$ 39,000	\$ 37,000	\$ (2,000)	-5%
Gas	\$ 103,000	\$ 103,000	\$ -	0%
Retail Sale/Motor Vehicles	\$ 3,600	\$ 3,500	\$ (100)	-3%
Wheel	\$ 900	\$ 900	\$ -	0%
Amusement	\$ 15,000	\$ 14,000	\$ (1,000)	-7%
Parking Lot	\$ 35,000	\$ 34,000	\$ (1,000)	-3%
Personal Property Lease	\$ -	\$ 47,000	\$ 47,000	
Subtotal Home Rule	\$ 545,000	\$ 598,400	\$ 53,400	10%
Fee Revenue				
Patient Fees	\$ 539,690	\$ 618,187	\$ 78,497	15%
Circuit Clerk Fees	\$ 90,186	\$ 87,000	\$ (3,186)	-4%
Recorder of Deeds Fees	\$ 72,890	\$ 63,448	\$ (9,442)	-13%
Treasurer's Fees	\$ 43,975	\$ 42,575	\$ (1,400)	-3%
Other	\$ 53,930	\$ 51,410	\$ (2,520)	-5%
Subtotal Fees	\$ 800,671	\$ 862,620	\$ 61,949	8%
Misc. Revenues*	\$ 34,878	\$ 31,115	\$ (3,763)	-11%
Intergovernmental Rev.	\$ 322,445	\$ 341,732	\$ 19,287	6%
GRAND TOTAL	\$ 2,423,479	\$ 2,544,351	\$ 120,872	5%

The next exhibit shows how closely the original projections for Cook County revenues in the FY2003 budget match the projected year end estimates for collections in that fiscal year as reported in the FY2004 budget revenue estimates. It shows that year-end estimates of actual collections will be within 2% of the original projections. This indicates that revenue projections were relatively conservative.

COOK COUNTY REVENUES FY2003				
ORIGINAL PROJECTION V. YEAR END ESTIMATE (\$000s)				
TAX OR FEE	FY03 Original Projection	FY03 YE Est	# CHG Orig-YEE	% CHG Orig-YEE
Property Taxes	\$ 720,483	\$ 720,483	\$ -	0%
Home Rule Taxes				
Sales	\$ 322,000	\$ 324,500	\$ 2,500	1%
Alcoholic Beverage	\$ 24,000	\$ 24,000	\$ -	0%
Cigarette	\$ 38,000	\$ 39,000	\$ 1,000	3%
Gas	\$ 105,000	\$ 103,000	\$ (2,000)	-2%
Retail Sale/Motor Vehicles	\$ 3,500	\$ 3,600	\$ 100	3%
Wheel	\$ 800	\$ 900	\$ 100	13%
Amusement	\$ 12,000	\$ 15,000	\$ 3,000	25%
Parking Lot	\$ 32,000	\$ 35,000	\$ 3,000	9%
Personal Property Lease	\$ -	\$ -	\$ -	0%
Subtotal Home Rule	\$ 537,300	\$ 545,000	\$ 7,700	1%
Fee Revenue				
Patient Fees	\$ 535,508	\$ 539,690	\$ 4,182	1%
Circuit Clerk Fees	\$ 84,100	\$ 90,186	\$ 6,086	7%
Recorder of Deeds Fees	\$ 47,929	\$ 72,890	\$ 24,961	52%
Treasurer's Fees	\$ 37,575	\$ 43,975	\$ 6,400	17%
Other	\$ 48,974	\$ 53,930	\$ 4,956	10%
Subtotal Fees	\$ 754,086	\$ 800,671	\$ 46,585	6%
Misc. Revenues*	\$ 33,722	\$ 34,878	\$ 1,156	3%
Intergovernmental Rev.	\$ 322,771	\$ 322,445	\$ (326)	0%
GRAND TOTAL	\$ 2,368,363	\$ 2,423,479	\$ 55,116	2%

* Bail Bond Forfeitures, Other Revenues

Revenue Trends FY2000-FY2004 – 17% Increase from \$2.1 Billion to \$2.5 Billion

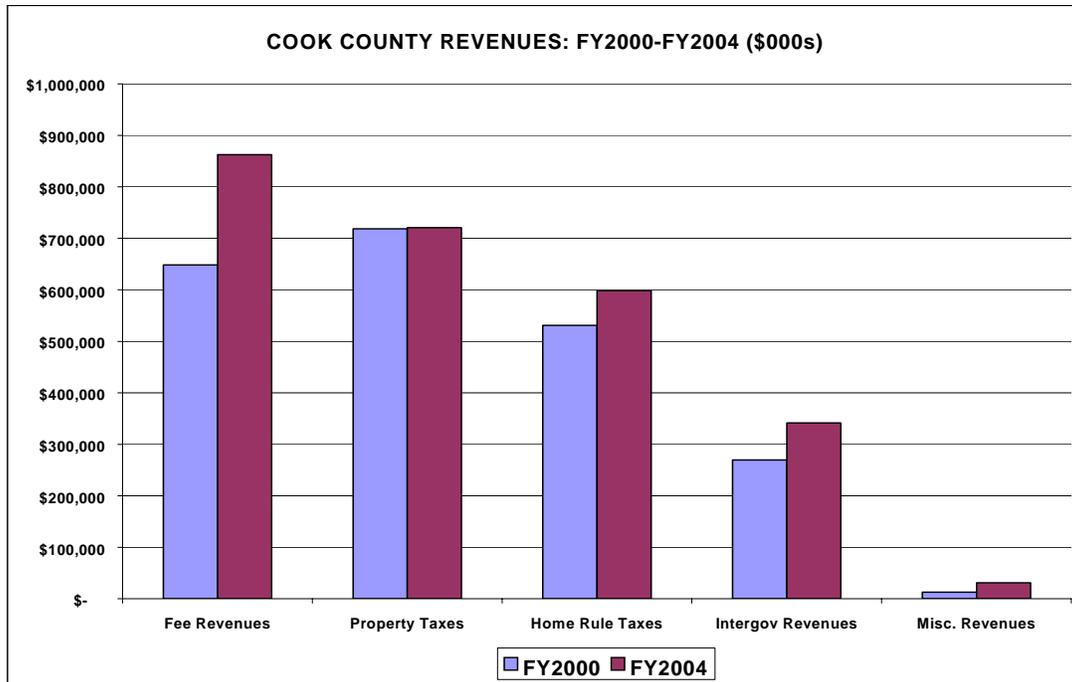
Five-year revenue trends for all Cook County revenues are presented below. All revenues increased by 17% over that time period. This represents a \$364 million increase, from \$2.18 billion to \$2.54 billion. The most striking finding is that fee revenue has increased over two times as fast as home rule taxes since FY2000. The rate of growth for fees was 33% in that time period while home rule taxes rose by 13%.

COOK COUNTY REVENUES FY2000-FY2004 (\$000s)							
TAX OR FEE	FY00	FY01	FY02	FY03*	FY04	# CHG 00-'04	% CHG 00-'04
Property Taxes	\$ 718,635	\$ 724,957	\$ 724,415	\$ 720,483	\$ 720,483	\$ 1,848	0%
Home Rule Taxes							
Sales	\$ 332,151	\$ 334,599	\$ 328,614	\$ 324,500	\$ 335,000	\$ 2,849	1%
Alcoholic Beverage	\$ 24,974	\$ 24,961	\$ 25,467	\$ 24,000	\$ 24,000	\$ (974)	-4%
Cigarette	\$ 48,270	\$ 46,980	\$ 42,087	\$ 39,000	\$ 37,000	\$ (11,270)	-23%
Gas	\$ 108,039	\$ 106,068	\$ 105,706	\$ 103,000	\$ 103,000	\$ (5,039)	-5%
Retail Sale/Motor Veh's	\$ 4,280	\$ 4,325	\$ 4,102	\$ 3,600	\$ 3,500	\$ (780)	-18%
Wheel	\$ 796	\$ 977	\$ 1,008	\$ 900	\$ 900	\$ 104	13%
Amusement	\$ 12,369	\$ 12,674	\$ 13,401	\$ 15,000	\$ 14,000	\$ 1,631	13%
Parking Lot	\$ -	\$ 27,943	\$ 37,770	\$ 35,000	\$ 34,000	\$ 34,000	100%
Personal Prop. Lease	\$ -	\$ -	\$ -	\$ -	\$ 47,000	\$ 47,000	100%
Subtotal Home Rule	\$ 530,882	\$ 558,531	\$ 558,157	\$ 545,000	\$ 598,400	\$ 67,521	13%
Fee Revenue							
Patient Fees	\$ 423,467	\$ 413,735	\$ 455,171	\$ 539,690	\$ 618,187	\$ 194,720	46%
Circuit Clerk Fees	\$ 77,222	\$ 76,059	\$ 74,885	\$ 90,186	\$ 87,000	\$ 9,778	13%
Recorder of Deeds Fees	\$ 40,742	\$ 50,176	\$ 60,545	\$ 72,890	\$ 63,448	\$ 22,706	56%
Treasurer's Fees	\$ 56,269	\$ 47,326	\$ 45,991	\$ 43,975	\$ 42,575	\$ (13,694)	-24%
Other	\$ 50,604	\$ 52,391	\$ 53,408	\$ 53,930	\$ 51,410	\$ 806	2%
Subtotal Fees	\$ 648,304	\$ 639,687	\$ 690,000	\$ 800,671	\$ 862,620	\$ 214,316	33%
Misc. Revenues**	\$ 12,655	\$ 26,533	\$ 23,587	\$ 34,878	\$ 31,115	\$ 18,460	146%
Intergov. Rev.	\$ 269,542	\$ 303,269	\$ 326,040	\$ 322,445	\$ 341,732	\$ 72,190	27%
GRAND TOTAL	\$ 2,180,018	\$ 2,252,977	\$ 2,322,201	\$ 2,423,479	\$ 2,544,351	\$ 364,333	17%

* Year End Estimates

** Bail Bond Forfeitures, Other Revenues

A graphic portrayal of the data in the table shows that fee became the single largest source of revenue by FY2004, rising from 30% to 34% of all revenues. Because the property tax levy has been held relatively constant during these years, its proportion of total revenues has dropped from 33% to 28%, or from first to second place. Home rule taxes were the third most significant source of revenue in both years, holding steady at 24%.

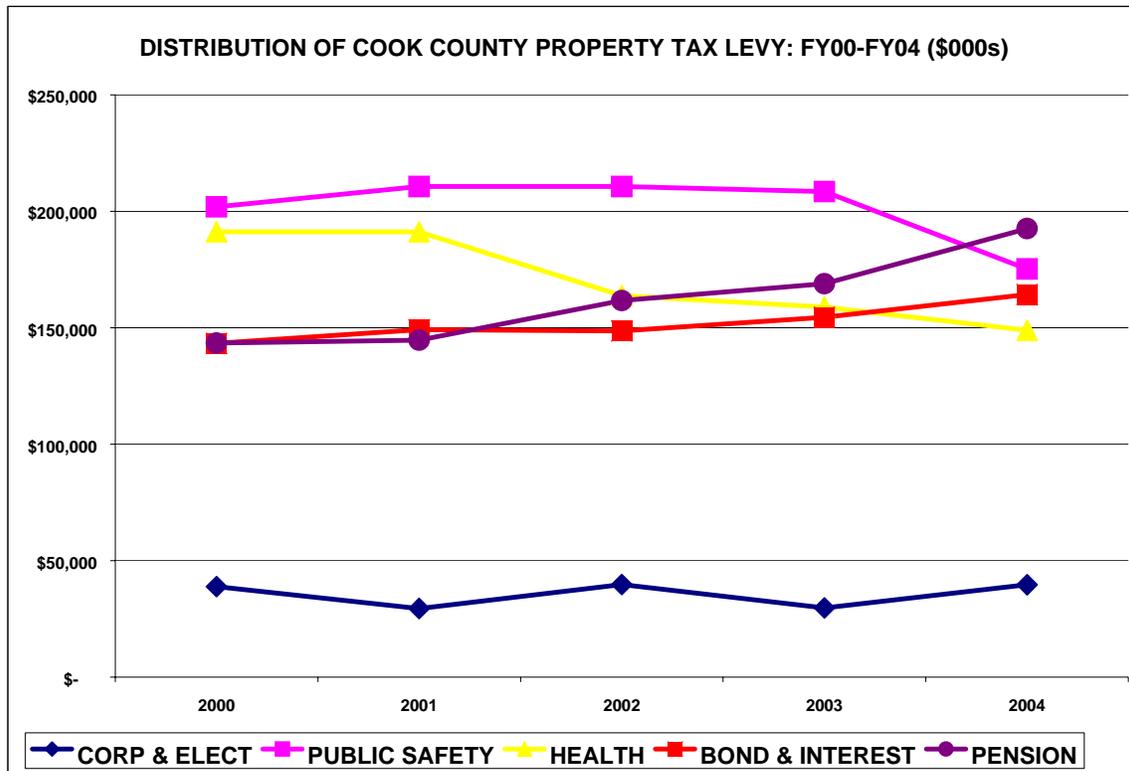


Property Tax Levy Held Constant at \$720.4 Million in FY2004

The Cook County property tax levy will be held constant in FY2004, at \$720.4 million for the third year in a row. Since FY2000, the levy has risen by just 0.3%, from \$718 million.

Property tax revenues are distributed to six major funds: Corporate, Elections, Public Safety, Health, Bond and Interest, and Pensions Annuity and Benefit Fund. Changes in distribution of the levy between FY2000 and FY2004 are shown below. The relatively small Corporate and Election Funds have been combined; together they averaged about 5% of the total levy for all years analyzed.

The Pension Fund will consume the largest single portion of the levy: \$192 million or 27% of the total. This is a reversal of the previous year when the single largest portion of the levy went to the Public Safety Fund. Because revenues from the new personal property lease tax are earmarked for the Public Safety Fund, its share of the levy will drop to \$175 million or 24% of the total. Property tax revenues earmarked for the Bond and Interest Fund for debt service are projected to rise by \$23 million to \$192 million. This represents 23% of the levy. Finally, the Health Fund’s share of the levy will decline slightly by approximately \$10 million during the 5-year period analyzed.



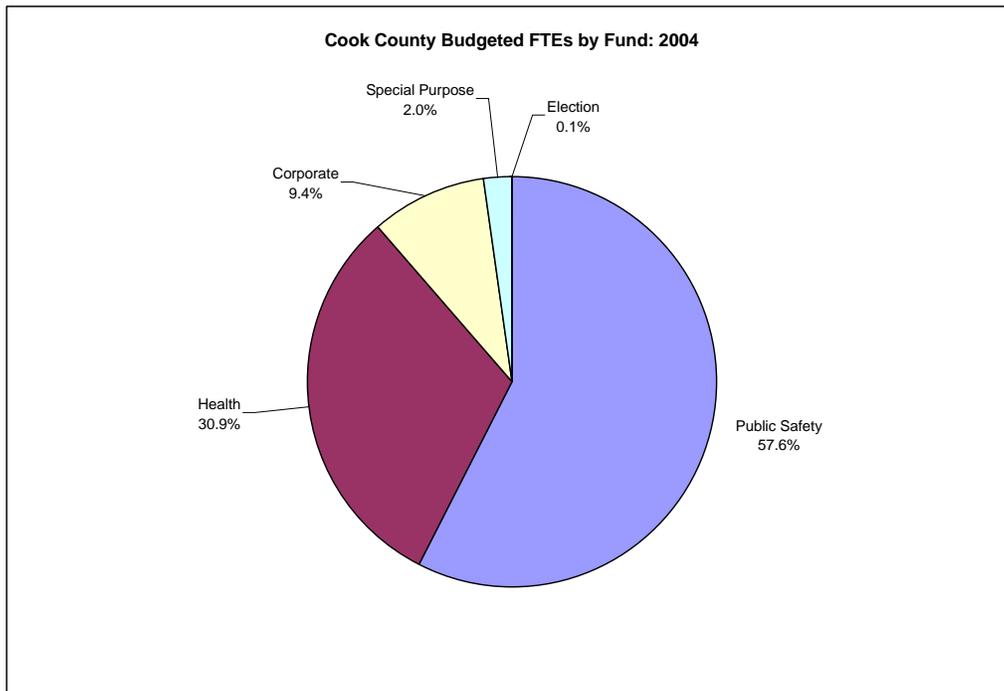
Personnel Trends: Full Time Equivalents Down by 0.9% in FY2004

The next exhibit shows the number of full time equivalent (FTE) positions budgeted over the past five years. The number of FTEs for FY2004 is projected to decline by 246.5 positions, or 0.9%, from FY2003. FTEs have declined by 601.9, or 2.2%, since FY2000.

Cook County Budgeted FTEs by Office (All Funds): 2000-2004								
	2000	2001	2002	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
Bureau of Health Services	8,994.7	9,011.0	9,002.2	8,731.6	8,672.8	-58.8	-0.7%	-3.6%
Sheriff	6,521.3	6,517.7	6,520.1	6,519.0	6,479.0	-40.0	-0.6%	-0.6%
Chief Judge	3,037.6	3,052.2	3,021.2	3,019.9	2,995.2	-24.7	-0.8%	-1.4%
Clerk of Circuit Court	2,145.1	2,157.8	2,176.0	2,186.7	2,153.7	-33.0	-1.5%	0.4%
State's Attorney	1,481.4	1,481.2	1,482.8	1,480.9	1,464.0	-16.9	-1.1%	-1.2%
Bureau of Public Safety	1,413.3	1,416.5	1,413.3	1,413.2	1,413.0	-0.2	0.0%	0.0%
County Assessor	476.6	473.8	473.2	469.6	461.6	-8.0	-1.7%	-3.1%
County Clerk	317.2	308.7	310.3	316.3	316.7	0.4	0.1%	-0.2%
Recorder of Deeds	280.3	283.9	281.7	274.1	277.3	3.2	1.2%	-1.1%
County Treasurer	252.2	233.9	217.3	203.9	191.0	-12.9	-6.3%	-24.3%
Board of Appeals	133.4	132.2	132.1	130.0	130.0	0.0	0.0%	-2.5%
Office of the County Commissioners	95.0	95.0	96.0	95.4	96.0	0.6	0.6%	1.1%
Public Administrator	19.0	19.0	19.0	19.0	19.0	0.0	0.0%	0.0%
Other	1,956.5	1,958.3	1,895.9	1,908.6	1,852.4	-56.2	-2.9%	-5.3%
TOTAL	27,123.6	27,141.2	27,041.1	26,768.2	26,521.7	-246.5	-0.9%	-2.2%

In FY2004, 57.6% of all FTEs are budgeted to the Public Safety Fund, which includes the Offices of Sheriff, Chief Judge, Clerk of the Circuit Court and State's Attorney. Thirty-one

percent of all FTEs are located in the Health Fund, 9.4% in the Corporate Fund and the remaining 2% in Election Fund and Special Purpose Fund.



Over the last 5 years, the number of Corporate Fund FTEs has declined by 10%, from 2,769.3 to 2,491.1. The number of budgeted Health Fund positions has dropped by 3.7%, while Public Safety Fund positions have dropped slightly, by 0.6% or 95.4 FTEs.

FUND	2000	2001	2002	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
Public Safety	15,379.6	15,428.3	15,375.7	15,428.4	15,284.2	-144.2	-0.9%	-0.6%
Health	8,506.6	8,511.9	8,504.9	8,248.3	8,187.7	-60.6	-0.7%	-3.7%
Corporate	2,769.3	2,734.7	2,649.9	2,551.9	2,491.1	-60.8	-2.4%	-10.0%
Special Purpose	445.7	442.6	479.3	507.8	527.0	19.2	3.8%	18.2%
Election	22.4	23.7	31.3	31.8	31.7	-0.1	-0.3%	41.5%
TOTAL	27,123.6	27,141.2	27,041.1	26,768.2	26,521.7	-246.5	-0.9%	-2.2%

Both the Offices Under the President and offices controlled by Elected Officials declined roughly 1% from 2003. Over the last 5 years, positions in Offices under the President dropped 3.4%, while Elected Officials dropped 1.2%.

	2000	2001	2002	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
Offices under the President	12,360.5	12,381.8	12,334.4	12,049.4	11,934.2	-115.2	-1.0%	-3.4%
Elected Officials	14,763.1	14,759.4	14,706.7	14,718.8	14,587.5	-131.3	-0.9%	-1.2%
TOTAL	27,123.6	27,141.2	27,041.1	26,768.2	26,521.7	-246.5	-0.9%	-2.2%

Personnel Comparisons with Other Urban Counties and the City of Chicago

The next exhibit compares personnel reductions in Cook County with those enacted in selected large urban counties around the nation in FY2003 and FY2004. It shows that Cook's 0.9% personnel position cuts fall in the middle of the sample, similar in range to the cuts implemented in King County, Washington and Bexar County (San Antonio), Texas. They were proportionally much less than the cuts implemented for Los Angeles, Dallas, Cuyahoga or Nassau Counties.

Selected Counties: Total Budgeted FTEs				
	prior year budget	most recently proposed budget	positions change	% change
Nassau	10,674.0	10,131.0	-543.0	-5.1%
Cuyahoga	9,378.0	8,937.0	-441.0	-4.7%
Dallas	5,494.0	5,284.0	-210.0	-3.8%
Los Angeles	92,713.9	90,555.6	-2,158.3	-2.3%
Hennepin	11,658.8	11,541.9	-116.9	-1.0%
Cook	26,768.2	26,521.7	-246.5	-0.9%
King	13,051.0	12,963.0	-88.0	-0.7%
Bexar	4,014.0	4,008.5	-5.5	-0.1%
San Diego	4,041.3	4,041.3	0.0	0.0%
Maricopa	15,388.4	15,556.9	168.5	1.1%
Miami-Dade	29,845.0	31,059.0	1,214.0	4.1%

Source: respective county budgets

The last exhibit compares Cook County and City of Chicago personnel trends. It shows that the while the City has cut 6.1% of its workforce since 2000, Cook County has reduced only 2.2%.

City of Chicago and Cook County Total FTEs: 2000-2004						
	2000	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
City of Chicago	43,967.0	42,173.0	41,298.0	-875.0	-2.1%	-6.1%
Cook County	27,123.6	26,768.2	26,521.7	-246.5	-0.9%	-2.2%

Personal Service Appropriations: Up 4% in FY2004 to \$3.48 Billion

Personal service appropriations are projected to increase by a total of 4% in FY2004 from the previous fiscal year. Wages and salaries will rise by 4.1%, from \$1.39 billion to \$1.44 billion. Benefits are expected to increase by approximately 3.9%. Hospitalization insurance, the second largest component of the benefits category after pensions, is projected to rise by 14.3% in FY2004. This is expected to add \$26 million to the County's health insurance costs.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY03-FY04				
	FY2003	FY2004	% CHG 03-'04	\$ CHG 03-'04
Regular Wages	\$ 1,361,005,831	\$ 1,419,241,763	4.3%	\$ 58,235,932
Overtime	\$ 31,319,026	\$ 28,680,096	-8.4%	\$ (2,638,930)
Other Wages	\$ 524,296	\$ 1,395,985	166.3%	\$ 871,689
Subtotal Wages	\$ 1,392,849,153	\$ 1,449,317,844	4.1%	\$ 56,468,691
Hospitalization	\$ 188,151,111	\$ 215,033,111	14.3%	\$ 26,882,000
Other Benefits	\$ 1,774,312,874	\$ 1,824,908,595	2.9%	\$ 50,595,721
Subtotal Benefits	\$ 1,962,463,985	\$ 2,039,941,706	3.9%	\$ 77,477,721
Total Personal Services	\$ 3,355,313,138	\$ 3,489,259,550	4.0%	\$ 133,946,412

Between FY2000 and FY2004, Cook County personal service appropriations rose by 19.3%. This represents a \$315 million increase. The largest single increase was for hospitalization insurance. Expenditures for this category rose by over 60% over the 5-year period analyzed, or from \$134 million to \$215 million.

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY00-FY04						
	2000	2001	2002	2003	2004	% CHG 00-04
Regular Wages	\$ 1,241,700,751	\$ 1,298,368,276	\$ 1,312,233,291	\$ 1,361,005,831	\$ 1,419,241,763	14.3%
Overtime	\$ 31,072,031	\$ 28,687,579	\$ 33,177,822	\$ 31,319,026	\$ 28,680,096	-7.7%
Other Wages	\$ 11,439,592	\$ 18,502,307	\$ 15,127,172	\$ 524,296	\$ 1,395,985	-87.8%
Subtotal Wages	\$ 1,284,212,374	\$ 1,345,558,162	\$ 1,360,538,285	\$ 1,392,849,153	\$ 1,449,317,844	12.9%
Hospitalization	\$ 134,278,967	\$ 157,272,469	\$ 169,751,907	\$ 188,151,111	\$ 215,033,111	60.1%
Other Benefits	\$ 214,712,001	\$ 220,858,584	\$ 237,940,799	\$ 246,574,348	\$ 284,452,487	32.5%
Subtotal Benefits	\$ 348,990,968	\$ 378,131,053	\$ 407,692,706	\$ 434,725,459	\$ 499,485,598	43.1%
Total Personal Services	\$ 1,633,203,342	\$ 1,723,689,215	\$ 1,768,230,991	\$ 1,827,574,612	\$ 1,948,803,442	19.3%

The next exhibit breaks out changes in personal service spending between the Offices Under the President and those offices under the control of other elected officials. It shows that personal service spending for offices under the elected officials increased at a faster rate (17.4%) than for the Offices Under the President (15.9%).

COOK COUNTY PERSONAL APPROPRIATIONS BY TYPE OF OFFICE							% CHG
	FY2000	FY2001	FY2002	FY2003	FY2004		00-04
Offices under the President							
Wages	\$ 644,444,847	\$ 672,704,644	\$ 680,579,456	\$ 692,908,081	\$ 725,240,273		12.5%
Benefits	\$ 85,446,982	\$ 94,630,197	\$ 99,325,270	\$ 108,604,773	\$ 120,180,505		40.6%
Subtotal Personal Services	\$ 729,891,829	\$ 767,334,841	\$ 779,904,726	\$ 801,569,061	\$ 845,665,499		15.9%
Elected Officials							
Wages	\$ 600,605,409	\$ 627,941,740	\$ 632,619,363	\$ 653,988,760	\$ 672,092,483		11.9%
Benefits	\$ 93,617,165	\$ 110,090,065	\$ 117,144,993	\$ 125,146,628	\$ 143,530,181		53.3%
Subtotal Personal Services	\$ 694,586,739	\$ 738,934,122	\$ 749,609,356	\$ 773,665,634	\$ 815,722,774		17.4%

Bureau Highlights: Health Services and Public Safety

Bureau of Health Services

The Bureau of Health Services is the single largest agency in the Cook County budget, both in terms of personnel and appropriations. It includes four major hospital facilities (Stroger Hospital, Cermak Health Services, Provident Hospital, and Oak Forest Hospital) and several smaller functions, such as the Ambulatory and Community Health Network. Over the last 10 years, the Bureau of Health Services has reduced personnel by 1,326 positions, or 13%. However, the reduction since 2003 represents less than 1% of the overall staff, or 59 positions. The largest facility, John H. Stroger, Jr. Hospital, has reduced its staff by only 0.2% since 2003, but by 25% since 1995.

Cook County Bureau of Health Personnel (All Funds): 1995-2004							
	1995	2003	2004	% change FY95-FY04	# change FY95-FY04	% change FY03-FY04	# change FY03-FY04
Stroger (Cook County) Hospital	5,991.7	4,507.6	4,498.2	-24.9%	-1,493.5	-0.2%	-9.4
Total Bureau of Health	10,003.5	8,735.6	8,676.8	-13.3%	-1,326.7	-0.7%	-58.8

Total Bureau of Health appropriations have grown an average of 4.3% annually since FY2000. This year's increase over FY2003 is \$58 million, or 7%.

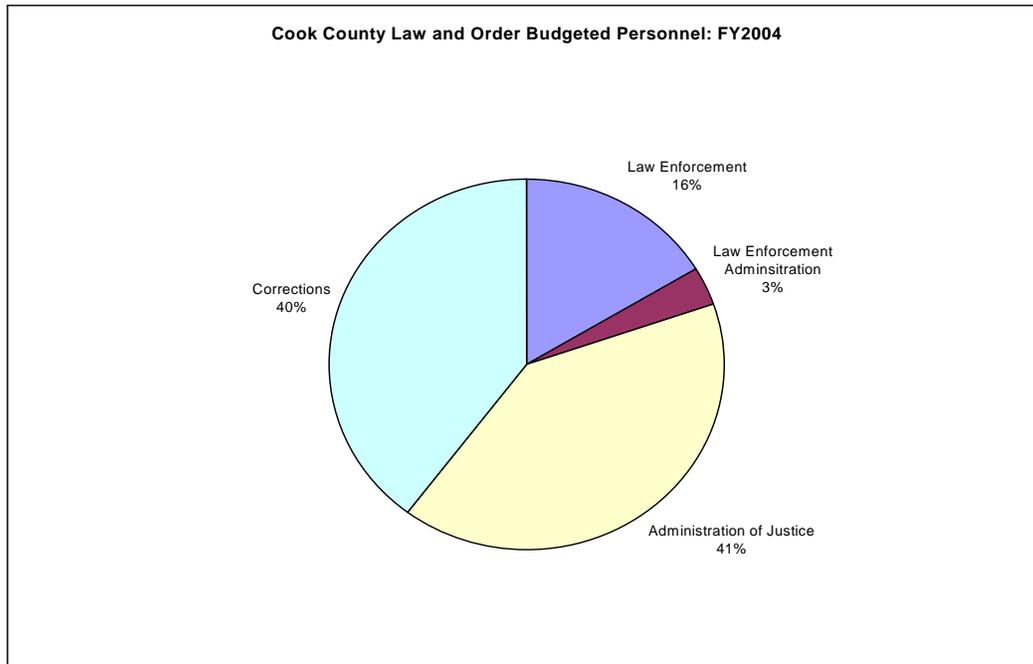
Cook County Bureau of Health Appropriations (All Funds): 2000-2004							
	2000	2001	2002	2003	2004	% Increase FY03-FY04	\$ Increase FY03-FY04
Stroger Hospital	\$ 379,058,304	\$ 460,927,824	\$ 407,142,379	\$ 429,437,268	\$ 461,269,243	7.4%	\$ 31,831,975
Total Bureau of Health	\$ 726,796,093	\$ 764,447,787	\$ 780,720,527	\$ 826,584,611	\$ 884,403,731	7.0%	\$ 57,819,120

Public Safety, or "Law and Order"

The Cook County Public Safety Fund supports functions from a number of offices, including Offices Under the President, Sheriff, Chief Judge, Clerk of the Circuit Court and State's Attorney. These functions range from Document Storage to Corrections to the Sheriff's Merit Board. In order to better grasp the scope and similarity of these various functions, the Civic Federation has organized them into categories by similarity of function. We call the overall category "Law and Order" in order to capture the full range of functions. The three major categories represent a chronological sequence: law enforcement, administration of justice, and

corrections. A number of administrative offices under the Sheriff are grouped under a fourth category: Law Enforcement Administration and Public Relations.⁶

In FY2004, approximately 40% of the personnel work in Corrections and 41% in Administration of Justice. Law Enforcement represents 16% of personnel, while Law Enforcement Administration represents 3%.



Over the last 5 years total Law and Order personnel have declined less than 1% from 14,589 to 14,491. Law Enforcement personnel has remained steady at 2,387, and Administration of Justice personnel has increased by 12 positions since FY2000. Corrections staff has decreased by 68 since FY2000, all in Probation programs. The most significant proportional cuts were made in the Law Enforcement Administration and Public Relations category, where personnel has declined almost 10% since FY2000.

Cook County Law and Order Budgeted FTEs by Department and Function: 2000-2004						
	2000	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
LAW ENFORCEMENT: Crime Prevention and Criminal Apprehension						
SUBTOTAL	2,386.3	2,386.0	2,387.0	1.0	0.0%	0.0%
LAW ENFORCEMENT: Administration and Public Relations						
SUBTOTAL	516.0	511.0	466.0	-45.0	-8.8%	-9.7%
ADMINISTRATION OF JUSTICE: Courts, Attorneys, Court-Ordered Investigations, Clerks, Legal Documents						
SUBTOTAL	5,853.6	5,910.7	5,865.9	-44.8	-0.8%	0.2%
CORRECTIONS: Detention, Jail, Probation, Rehabilitation, Community service						
SUBTOTAL	5,832.8	5,799.0	5,772.0	-27.0	-0.5%	-1.0%
GRAND TOTAL	14,588.7	14,606.7	14,490.9	-115.8	-0.8%	-0.7%

* The Clerk of the Circuit Court consolidated departments in 2002. FTE figures from 2000 include those from now defunct departments.

⁶ For a complete list of the departments grouped under these four categories, see Appendix A.

Debt Trends

The Civic Federation traditionally presents a trend analysis of short-term debt and long-term debt per capita. However, the County's Comprehensive Annual Financial Report (CAFR) will not be available until November 30, 2003. The County has indicated that the CAFR will be produced much later than usual because of the need to produce additional information required to comply with Governmental Accounting Standards Board Statement Number 34. Because of the lack of FY2002 audited financial information, these analyses cannot be presented in this document.

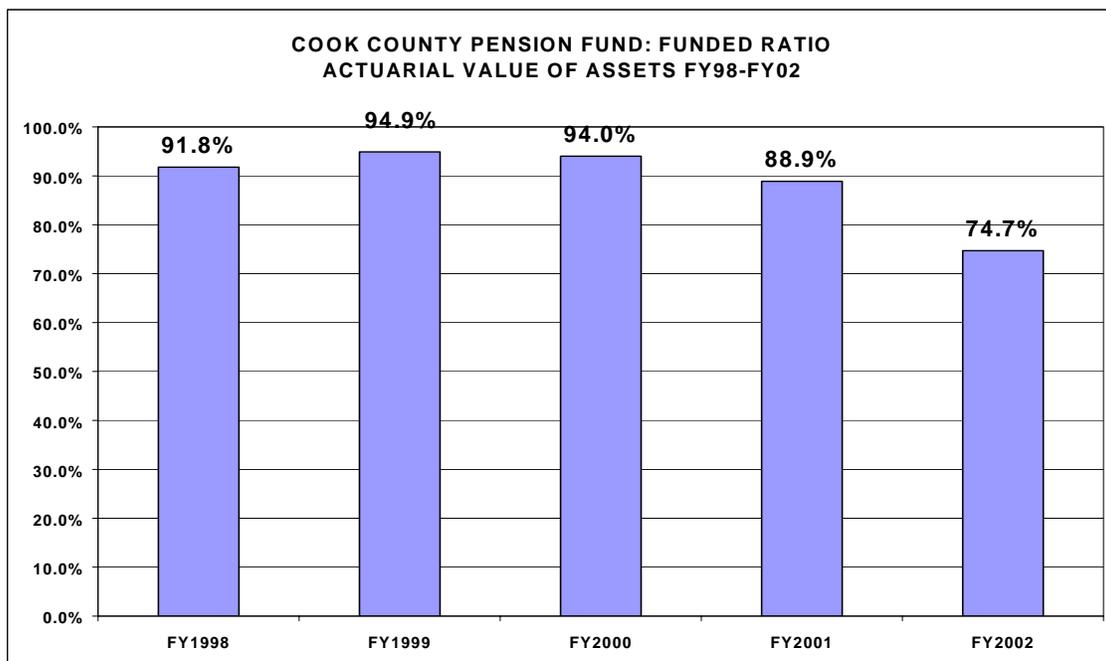
Pension Fund Trends

The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of Cook County's pension fund: funded ratios, the investment rate of return and the value of unfunded liabilities.⁷

Funded Ratios – Actuarial Value of Assets: Down from 88.9% to 74.7% in FY2002

The following exhibit shows the funded ratio for Cook County's pension fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage the more difficulty a government may have in meeting future obligations.

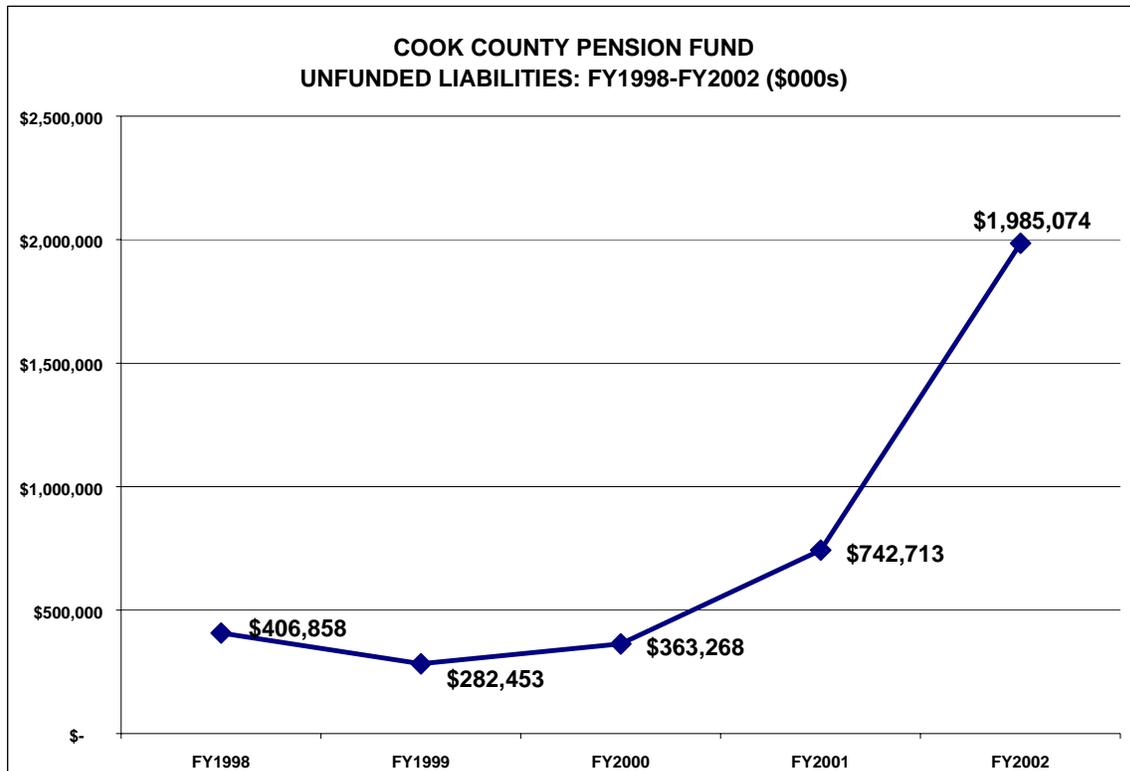
The funded ratio for Cook County's pension fund declined from 88.9% to 74.7% between FY2001 and FY2002. This drop reflects the continuing decline in the return of the fund's investments. A continued decline in subsequent years would raise concerns about the pension fund's funding levels.



⁷ The discussion of Cook County's pension fund trends is drawn from *Status of Local Pension Funding* (Chicago: Civic Federation, 2003).

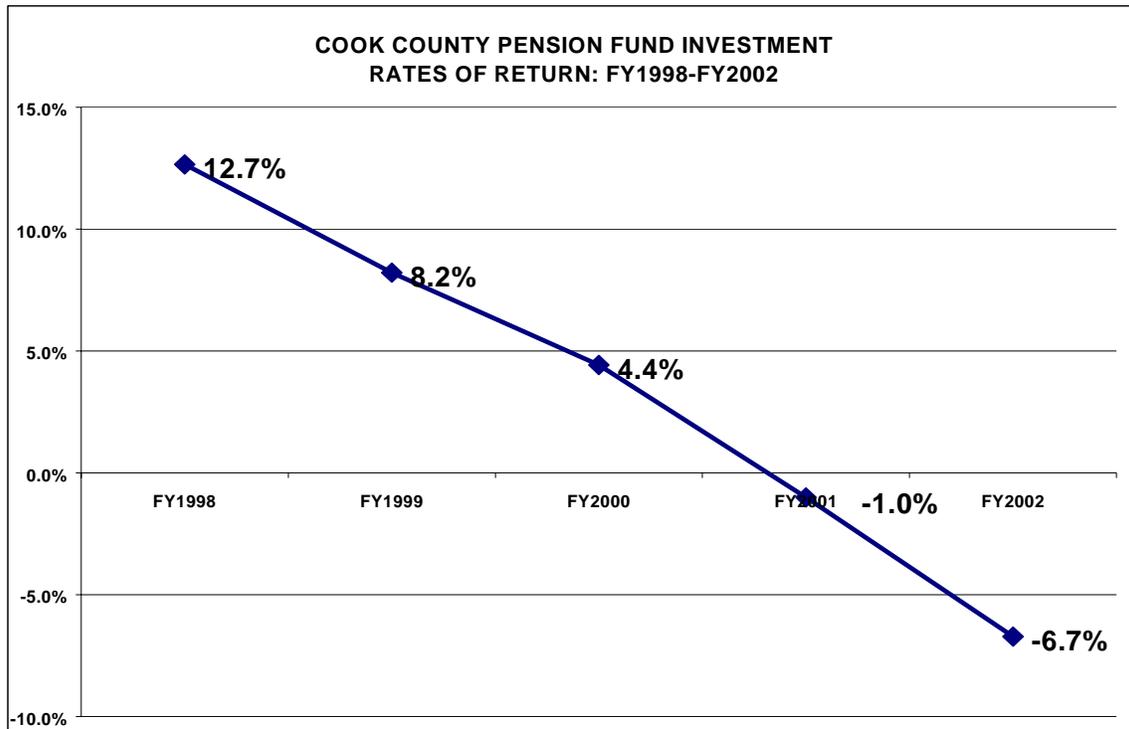
Unfunded Pension Liabilities: 167% Increase in FY2002 Due in Part to Declining Rates of Investment Returns

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for Cook County's pension fund totaled approximately \$1.98 billion in FY2002. There was a 167%, or \$1.2 billion increase in unfunded liabilities from the previous year. Over the 5-year period of this analysis, unfunded liabilities rose by 388%, from \$406 million to \$1.98 billion. In large part, the sharp increase in unfunded liabilities is being driven by declining rates of return for the pension funds' investments



Investment Rates of Return: Declined from -1.0% I FY2001 to -6.7% in FY2002

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Since FY1998, Cook County investment rates of return have dropped from 12.7% to -6.7%. Between FY2001 and FY2002, the rate of return fell from -1.0% to -6.7%.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve Cook County's financial management and to reduce expenditures.

President Should More Forcefully Use His Budget Authority to Control Costs

The President's original budget instructions requested that all elected officials and department heads hold their FY2004 budget requests to the FY2003 appropriations, a commendable and prudent action. However, in the end, many received increases. They should not have done so unless there was a powerfully compelling reason. We urge the President to use the authority he already possesses and control costs by fully exercising budgetary authority over the elected officials and the department heads. While many argue that the President has little or no authority over elected officials, research prepared for The Civic Federation suggests that the President, because of the authority he or she possesses to establish binding monthly expenditure schedules, ultimately has budgetary authority over all County officials.⁸

Implement the County Operations Review Team Report Recommendations

Cook County's own County Operations Review Team (CORT) report presented 117 recommendations that identified as much as \$129 million in savings. Most of these recommendations have yet to be acted upon. The Civic Federation believes that the County should act to implement those remaining findings that are feasible and that could generate additional cost savings.

⁸ The Civic Federation and the Chicagoland Chamber of Commerce. *Cook County Cost Control Task Force Report*. June 2001. Chicago: The Civic Federation, p. 59.

Contract Out Janitorial Services in Courthouses

The Civic Federation has long advocated that janitorial services be removed from the jurisdiction of the Sheriff and be outsourced. As the County Operations Review Team (CORT) Report points out, this measure could save as much as \$5 million per year.

Dissolve the Suburban Cook County Tuberculosis Sanitarium District

The Suburban Cook County Tuberculosis Sanitarium District is an unnecessary and wasteful unit of government. The case for eliminating the District is documented in our recent research report on the subject. The Federation believes that the District's functions should be transferred to the Cook County Bureau of Health Services, which provides the same services far more cost effectively and efficiently, and unneeded assets such as land and buildings sold. A transfer of District assets could immediately yield at least \$9.6 million in unreserved fund balance for the County.⁹

Eliminate Automatic Annual Step Increases for Employees

Cook County employees receive both cost of living augmentations (COLA) and step increases each year. The COLA increased the FY2004 personal services appropriation by \$14 million per 1% increase. The step increases costs approximately \$26 million per year. The Civic Federation believes that the County should end its practice of giving employees automatic cost of living and step increases. This antiquated personnel practices is expensive and does not mirror the practice in most other governments and the private sector.

Pursue Joint Purchasing of Health Insurance with Major Chicago Area Governments

To contain rising health insurance costs, The Civic Federation urges the County to aggressively pursue the joint purchasing of health care insurance with other governments in the Chicago area. Forming a joint insurance pool consisting of the employees of the County (excluding the Forest Preserve District), the City of Chicago, the Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield projected savings of \$40.1 million in the first year or \$222 million over a 5-year period. The County alone could save as much as \$22.5 million.

Increase Employee Contributions to Health Insurance

Currently, non-union and ratified union County employees pay \$3 per medical visits to Health Maintenance Organizations (HMOs). Union employees pay nothing. The co-payment saves the County approximately 0.5% in premium costs. An increase to a \$10 co-payment for non-union and ratified union employees for HMO care would decrease premium costs (\$215 million projected in FY2004 (by 3% to 3.5%. This could save the County from \$6.4 million to \$7.5 million.

⁹ The Civic Federation. *A Call for the Elimination of the Suburban Tuberculosis Sanitarium District*. October 20, 2003.

APPENDIX A

Cook County Law and Order Budgeted FTEs by Department and Function: 2000-2004										
Dept #	Control Officer	Department Name	2000	2001	2002	2003	2004	positions change 2003-2004	% change 2003-2004	% change 2000-2004
LAW ENFORCEMENT: Crime Prevention and Criminal Apprehension										
231	Sheriff	Police Department	645.0	643.5	649.5	649.0	643.0	-6.0	-0.9%	-0.3%
230	Sheriff	Court Services Division	1,741.3	1,737.2	1,737.0	1,737.0	1,744.0	7.0	0.4%	0.2%
SUBTOTAL			2,386.3	2,380.7	2,386.5	2,386.0	2,387.0	1.0	0.0%	0.0%
LAW ENFORCEMENT: Administration and Public Relations										
210	Sheriff	Office of the Sheriff	57.0	58.0	52.0	50.0	30.0	-20.0	-40.0%	-47.4%
211	Sheriff	Dept. of Administrative and Support Services	49.0	49.0	54.0	56.0	49.0	-7.0	-12.5%	0.0%
215	Sheriff	Custodian	356.0	356.0	351.0	351.0	336.0	-15.0	-4.3%	-5.6%
238	Sheriff	Community Services	35.0	35.0	35.0	35.0	34.0	-1.0	-2.9%	-2.9%
249	Sheriff	Sheriff's Merit Board	19.0	19.0	19.0	19.0	17.0	-2.0	-10.5%	-10.5%
SUBTOTAL			516.0	517.0	511.0	511.0	466.0	-45.0	-8.8%	-9.7%
ADMINISTRATION OF JUSTICE: Courts, Attorneys, Court-Ordered Investigations, Clerks, Legal Documents										
205	President	Judicial Advisory Council	10.2	10.1	10.2	9.1	7.0	-2.1	-23.1%	-31.4%
260	President	Public Defender	840.4	840.4	840.0	840.0	840.0	0.0	0.0%	0.0%
270	President	Office of the Chief Coordinator	7.1	7.0	7.0	7.0	9.0	2.0	28.6%	26.8%
451	President	Supportive Services	19.0	19.0	19.1	19.1	19.0	-0.1	-0.5%	0.0%
300	Chief Judge	Judiciary	420.0	450.0	450.0	450.0	450.0	0.0	0.0%	7.1%
305	Chief Judge	Public Guardian	278.0	278.0	279.9	279.9	280.5	0.6	0.2%	0.9%
310	Chief Judge	Office of the Chief Judge	584.9	587.2	583.6	587.3	597.9	10.6	1.8%	2.2%
312	Chief Judge	Forensic Clinical Services	67.5	53.2	52.5	50.7	44.8	-5.9	-11.6%	-33.6%
335	Clerk--Circuit Ct.*	Office of the Clerk	179.2	190.6	202.2	218.9	215.7	-3.2	-1.5%	20.4%
343	Clerk--Circuit Ct.	County-Wide Ops. Bureau	266.1	265.4	274.9	281.6	280.4	-1.2	-0.4%	5.4%
344	Clerk--Circuit Ct.	Family Law Bureau	203.6	208.7	201.1	207.0	204.9	-2.1	-1.0%	0.6%
348	Clerk--Circuit Ct.	Criminal Bureau	318.5	323.0	325.1	329.1	325.8	-3.3	-1.0%	2.3%
360	Clerk--Circuit Ct.	1st Municipal Bureau	507.2	501.3	476.1	484.9	478.7	-6.2	-1.3%	-5.6%
372	Clerk--Circuit Ct.	Suburban Ops. Bureau	464.3	458.8	466.5	477.2	463.2	-14.0	-2.9%	-0.2%
528	Clerk--Circuit Ct.	Automation Fund	86.5	89.0	88.1	84.0	84.0	0.0	0.0%	-2.9%
529	Clerk--Circuit Ct.	Document Storage	119.8	121.0	115.0	104.0	101.0	-3.0	-2.9%	-15.7%
250	State's Atty.	State's Attorney	1,481.4	1,481.2	1,482.8	1,480.9	1,464.0	-16.9	-1.1%	-1.2%
SUBTOTAL			5,853.6	5,883.9	5,874.1	5,910.7	5,865.9	-44.8	-0.8%	0.2%
CORRECTIONS: Detention, Jail, Probation, Rehabilitation, Community service										
440	President	Juvenile Temp. Detention Ctr.	536.6	540.0	537.0	538.0	538.0	0.0	0.0%	0.3%
280	Chief Judge	Adult Probation Department	811.1	811.9	791.6	792.5	781.0	-11.5	-1.5%	-3.7%
313	Chief Judge	Social Casework Services	264.9	266.9	262.6	262.5	255.5	-7.0	-2.7%	-3.5%
326	Chief Judge	Juvenile Probation	537.2	536.0	532.0	528.0	516.5	-11.5	-2.2%	-3.9%
532	Chief Judge	Juvenile Probation (Special Fund)	74.0	69.0	69.0	69.0	69.0	0.0	0.0%	-6.8%
212	Sheriff	Sheriff's Dept. for Women's Justice Services	27.0	28.0	28.0	28.0	29.0	1.0	3.6%	7.4%
235	Sheriff	Impact Incarceration	126.0	125.0	125.0	125.0	125.0	0.0	0.0%	-0.8%
236	Sheriff	Community Supervision and Intervention	461.0	461.0	461.0	461.0	463.0	2.0	0.4%	0.4%
239	Sheriff	Dept. of Corrections	2,995.0	2,996.0	2,995.0	2,995.0	2,995.0	0.0	0.0%	0.0%
SUBTOTAL			5,832.8	5,833.8	5,801.2	5,799.0	5,772.0	-27.0	-0.5%	-1.0%
GRAND TOTAL			14,588.7	14,615.4	14,572.8	14,606.7	14,490.9	-115.8	-0.8%	-0.7%

* The Clerk of the Circuit Court consolidated departments in 2002. FTE figures from 2000 and 2001 include those from now defunct departments.

APPENDIX B

COOK COUNTY PERSONAL SERVICE APPROPRIATIONS: FY00-FY04						
	2000	2001	2002	2003	2004	% CHG 00-04
Regular Wages	\$ 1,241,700,751	\$ 1,298,368,276	\$ 1,312,233,291	\$ 1,361,005,831	\$ 1,419,241,763	14.3%
Overtime	\$ 31,072,031	\$ 28,687,579	\$ 33,177,822	\$ 31,319,026	\$ 28,680,096	-7.7%
Other Wages	\$ 11,439,592	\$ 18,502,307	\$ 15,127,172	\$ 524,296	\$ 1,395,985	-87.8%
Subtotal Wages	\$ 1,284,212,374	\$ 1,345,558,162	\$ 1,360,538,285	\$ 1,392,849,153	\$ 1,449,317,844	12.9%
Hospitalization	\$ 134,278,967	\$ 157,272,469	\$ 169,751,907	\$ 188,151,111	\$ 215,033,111	60.1%
Other Benefits	\$ 214,712,001	\$ 220,858,584	\$ 237,940,799	\$ 246,574,348	\$ 284,452,487	32.5%
Subtotal Benefits	\$ 348,990,968	\$ 378,131,053	\$ 407,692,706	\$ 434,725,459	\$ 499,485,598	43.1%
Total Personal Services	\$ 1,633,203,342	\$ 1,723,689,215	\$ 1,768,230,991	\$ 1,827,574,612	\$ 1,948,803,442	19.3%

Personal Services, Offices under the President						
	2000	2001	2002	2003	2004	% CHG 00-04
Regular Wages	619,250,611	641,725,916	650,324,623	670,941,435	706,688,131	14.1%
Overtime	20,540,298	19,610,857	22,117,249	21,966,646	18,185,237	-11.5%
Other Wages	4,653,938	11,367,871	8,137,584	0	366,905	-92.1%
Subtotal Wages	644,444,847	672,704,644	680,579,456	692,908,081	725,240,273	12.5%
Hospitalization	61,421,745	68,641,582	75,090,108	85,046,055	93,630,416	52.4%
Other Benefits	24,025,237	25,988,615	24,235,162	23,558,718	26,550,089	10.5%
Subtotal Benefits	85,446,982	94,630,197	99,325,270	108,604,773	120,180,505	40.6%
Total Personal Services	729,891,829	767,334,841	779,904,726	801,569,061	845,665,499	15.9%

Personal Services, Other Elected Officials						
	2000	2001	2002	2003	2004	% CHG 00-04
Regular Wages	585,932,737	612,987,734	616,386,044	644,737,904	661,967,267	13.0%
Overtime	9,278,033	8,824,082	9,989,066	9,250,856	10,125,216	9.1%
Other Wages	5,394,639	6,129,924	6,244,253	0	0	-100.0%
Subtotal Wages	600,605,409	627,941,740	632,619,363	653,988,760	672,092,483	11.9%
Hospitalization	68,437,901	83,162,253	89,423,710	97,223,910	113,882,380	66.4%
Other Benefits	25,179,264	26,927,812	27,721,283	27,922,718	29,647,801	17.7%
Subtotal Benefits	93,617,165	110,090,065	117,144,993	125,146,628	143,530,181	53.3%
Total Personal Services	694,586,739	738,934,122	749,609,356	773,665,634	815,722,774	17.4%

Total All Funds				
	2003	2004	Difference	% Change 03-04
Regular Wages	1,361,005,831	1,419,241,763	58,235,932	4.3%
Overtime	31,319,026	28,680,096	-2,638,930	-8.4%
Extra Employees	524,296	1,395,985	871,689	166.3%
Medicare	14,919,921	17,218,799	2,298,878	15.4%
Workers Comp	10,980,184	11,705,932	725,748	6.6%
Pension	191,592,818	224,583,727	32,990,909	17.2%
Life Insurance	4,865,172	5,180,591	315,419	6.5%
Hospitalization Insurance	188,151,111	215,033,111	26,882,000	14.3%
Dental	5,954,709	7,229,338	1,274,629	21.4%
Unemployment	1,406,221	1,552,481	146,260	10.4%
Vision Care	4,005,466	4,111,484	106,018	2.6%
Employee Insurance	12,849,857	12,870,135	20,278	0.2%
TOTAL	1,827,574,342	1,948,746,442	121,172,100	6.6%