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Cook County Treasurer

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Good morning, and thank you, Larry, and members of the Civic Federation.

The Cook County Treasurer's Office is responsible for the collection of real estate property taxes. I have served in government for 20 years and continually had people stop me, call me, and write me with one simple question: "Why are my taxes going up?"

After years of hearing the question, I went to the Cook County Board of Commissioners and asked it for an ordinance requiring all 553 primary governmental agencies in Cook County to upload to my website two things:

1. What was their yearly budget?
2. What was their debt? Or more simply put, what was their credit card total?

When we initially reviewed the information in 2010, I went back to the Board and asked it to now require the same 553 agencies to upload two more columns of information and their financial statements. The columns are:

1. Pension liability, or how much do we owe retirees?
2. Unfunded pension liability, or how much money don't we have to pay retirees?

The results are in. The combined total amount owed for both the city and suburbs is \$108 billion. That translates on average to \$63,000 per city household and \$32,000 per suburban household. Of the \$108 billion in debt, almost \$25 billion is not available to pay retirees, or commonly referred to as unfunded pension liability.

I have provided a chart for you which explains these figures.

If you live in Chicago, a homeowner is responsible for the city and county debt.

If you live in the suburbs, a homeowner is responsible for the suburban and county debt.

	A) ANNUAL DEBT	B) PENSION LIABILITY	C) UNFUNDED PENSION LIABILITY
City	\$35,717,873,460	\$27,809,189,682	\$16,425,387,192
County	\$8,832,544,113	\$13,702,285,396	\$4,390,511,998
Suburban	\$13,389,455,054	\$8,861,329,236	\$3,858,503,085
Grand Total	\$57,939,872,627	\$50,372,804,314	\$24,674,402,275
	A + B = \$108,312,676,941 (TOTAL DEBT)		

To further explain this to each homeowner, I came up with another chart. Most people don't realize that on their fall tax bill, there can be as many as 14 or more different governments that they owe money to. I have grouped them together:

AGENCY TYPE	QUANTITY	TOTAL DEBT
Municipality	119	\$61,052,985,289
Education	160	\$20,510,421,394
County	2	\$18,173,343,462
Sanitary	13	\$4,398,506,156
Park	88	\$3,216,716,581
Fire	30	\$302,945,577
Township	29	\$277,525,109
Library	49	\$226,049,670
Special	8	\$154,183,703
Grand Total	498	\$108,312,676,941

Each one of these agencies has been demanding more of its taxpayers. We analyzed the top 50 residential property tax amounts in each municipality from 1996 to 2009, and saw that residential property taxes have gone up on average by 121 percent in Cook County.

A few weeks ago, I hit the ripe old age of 62. My family and friends and I talk about what lies ahead in the future financially for us and our children. Many people say, "I'm leaving the house to the kids but don't know if they will be able to afford the taxes on it." Others say, "I'm worried that my pension plan won't give me the money I was promised. I worked 30 years for it and now there may not be enough money left."

In the folder I have provided for you, all the governments are listed with either a green light, yellow light, or red light.

- Green means the pension fund is over 80 percent funded.
- Yellow means it is between 80 percent and 50 percent funded.
- Red means it is under 50 percent funded.

This only applies to pension data.

The Pew Center and the Government Accountability Office say a pension fund should be at least 80 percent funded to be considered healthy. The fact is that 75 percent of the governments in Cook County are underfunded. If I were the Surgeon General I would say that 75 percent of our governments are morbidly obese.

To correct the problem, each government must be looked at separately by citizens and elected officials. There are countless solutions on the table at both the federal and state levels.

What I have attempted to do here is different. Why? For the first time, we are looking not at the federal level and not at the state, but at local government.

Financial experts, reporters, politicians, lawyers, bankers, CPA's and academicians have offered countless steps to solve the debt crisis. However, it would be foolish here to attempt to identify a single cure-all. I don't think there is one panacea. Every taxing agency has a wide variety of challenges. I do not think there is

one cure for the debt problem just as I do not think there is one cure for obesity. Agencies instead need to look at their own internal operations, from the top down, and identify ways to save money.

So where do we go from here? First, we must go back to the Board and ask it to revise the ordinance yet again.

The \$108 billion debt could actually be worse. We need to know how the numbers were calculated by asking:

1. The rate of return that the agencies based their figures on. Was it an eight percent or five percent return?
2. The amount of other post-employment benefits, commonly referred to as retiree health insurance. We believe at least one third of agencies have not reported these OPEB figures and the debt could in reality be much higher than \$108 billion.
3. The figures for the 55 non-compliant agencies.

I would call on all local governments nationwide to do the same thing. This is not just about federal and state governments. Homeowners need to understand when they vote for a local bond deal what the financial burden is for their children. This will require educating them.

I would encourage the state legislature to require all brokers to disclose to prospective homeowners the credit card debt for any home before purchasing the property.

Finally, as the next part of the study unfolds, we will continue to provide information on www.cookcountytreasurer.com.

I will continue to work on downsizing my own office. Remember, 80 percent of all government expenses are personnel related. So, the ultimate question is, how do you reduce the headcount going forward?

In conclusion, I am providing for your analysis a folder containing four lists.

The first groups the agencies in alphabetical order. The second groups agency pension funds from best to worst. The third groups total debt among agencies from highest to lowest. The fourth displays the 55 non-compliant agencies which have not uploaded their figures.

Thank you for your time and your consideration. I hope you can assist in answering two questions:

1. How will my children pay the taxes on the home that I am leaving them?
2. Will there be enough money in my pension fund to pay me when I retire?

Thank you.