

DC think tank says Chicago pension crisis fueled by TIFs

By Miriam Y. Cintrón

Chicago's public pension crisis has been fueled in part by the use of tax increment financing (TIF). That conclusion can be found in a report by Washington, DC-based research group Good Jobs First.

Called *Putting Municipal Pension Costs Into Context: Chicago*, the report shows how, for years, TIF costs have exceeded the City's annual pension liability.

"Our analysis shows that property tax diversions into TIF have exceeded pension costs in every year since 2007," said research analyst Thomas Cafcas of Good Jobs First. "For example, the City's pension costs were \$385.8 million in 2012, while TIF diverted \$457 million in property tax revenues."

Chicago public pensions go to teachers, police, firefighters, and other municipal employees.

While TIF allows local govern-

ments to divert a portion of property tax revenues into funds for special projects, some of those projects have been of questionable value, particularly because those revenues have not gone to blighted areas that TIFs were designed to benefit, according to the report.

Good Jobs First noted a large portion of the City's TIF revenue has gone to subsidizing develop-

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ers, corporations, and nonprofit organizations, while diverting revenue from public services such as education and infrastructure. Officials awarded more than \$1 billion through redevelopment agreements from 2002 to 2012, with corporate subsidies slated for four entities alone totaling over \$115 million, the report noted.

According to the report, TIFs may have contributed to underfunded pensions because, as the City made inadequate contributions to pensions, its loss of property tax revenue to TIF more than doubled from 2000 to 2003 and quadrupled by 2007 to more than \$1 billion per year.

"It's hard to ignore the evidence that TIF impacted pensions: TIF costs grew, general fund revenues declined, and the City addressed its budget gap in part by making inadequate contributions to public pensions," according to Cafcas.

Mayor Rahm Emanuel has made using TIF more transparent by creating an online TIF database, and in November 2013 he returned a TIF surplus to Chicago schools and other taxing bodies. The report noted, however, that "recent rounds of proposed subsidies for things like basketball stadiums and hotels raised serious doubts about whether TIF reform has actually materialized."

Cook County Clerk David Orr acknowledged Mayor Emanuel's move to return the surplus to taxing bodies but is calling for more to be done, particularly reducing the number of properties within the City's 154 TIF districts.

An analysis by his office found that returning ten percent of the TIF money could result in "Chicago taxing districts' ability to levy an additional \$38.5 million annually, of which \$10 million would be available to the city and \$24 million for Chicago Public Schools," Orr's office said in a statement.

Orr is also calling for an ex-

haustive review of every TIF project. "Even if TIF plans have been made, without auditing, scrubbing, and transparency, we shouldn't blindly accept those plans as the best use of public dollars," Orr said.

Tom Tresser of CivicLab believes TIF revenue should be used to address myriad issues facing the City, from reopening closed schools and health clinics, to the pension crisis, to expanding Chicago Transit Authority service.

CivicLab employs data mining and investigations to review TIFs ward by ward. According to the group, the City has \$1.7 billion in TIF accounts. That money "should be made available to deal with Chicago's many needs," Tresser said. "We're being told that the City is broke, but that is also an excuse for privatization."

Tresser believes TIFs have little to do with economic development and more to do with benefiting the politically connected, noting that much TIF revenue has gone to private developers.

Tom Ryan, president of the Chicago Firefighters Union Local 2, said that TIF could be among many of the reasons fueling the pension crisis.

"The mechanism for funding pensions has been flawed for years," he said. "This has been a problem that's been going on for decades," he added, particularly for the firefighters union.

"The market took a dive in '08 and made a bad situation worse," Ryan said.

He explained that firefighters' pension reached its highest funding in the 1990s at about 60% and has been at about 20% to 30% ever since. The union is now working to put together possible solutions to the problem to offer to the State.

Cafcas stopped short of calling for the end of TIF, but concluded TIF use should be curbed, not only to address the City's pension crisis but because properly funding ed-

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ucation and infrastructure would help create jobs and enhance personal income.

"Economic development works best when it benefits all employers, not only the developers able to win inclusion in a TIF district," Cafcas said.

"Public pensions are under threat of cuts in Chicago," he added. "Rhetoric surrounding the issue seems to ignore the influence of tax increment financing on reducing critical revenues for the City of Chicago. Nearly one out of every ten property tax dollars collected gets diverted into TIF accounts."

The Office of the Mayor was contacted but had no comment.

For more information on Chicago TIF districts, go to www.cookcountyclerk.com/TSD/TIFS/Pages/default.aspx.

Good Jobs First seeks to make economic development subsidies more accountable and effective. For more information, log on to www.goodjobsfirst.org.

For more about Cook County Clerk David Orr's office, log on to www.cookcountyclerk.com.

For more information on CivicLab, log on to www.civiclalab.us.