



CHICAGO'S FINANCIAL CONDITION

WORSENERD BY \$2 BILLION

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FINANCIAL STATE OF CHICAGO

A new analysis of the latest available audited financial reports found Chicago has a Taxpayer Burden™ of \$39,400, earning it an “F” grade from Truth in Accounting. Despite strong economic conditions in fiscal year 2019, the city of Chicago’s financial condition worsened by \$2 billion from the previous year. This report shows the city went into the coronavirus pandemic with poor fiscal health and it will most likely come out of the pandemic even worse.

Chicago’s elected officials have made repeated financial decisions that have left the city with a debt burden of \$36.4 billion. That burden equates to \$39,400 for every city taxpayer. Chicago’s financial problems stem mostly from unfunded retirement obligations that have accumulated over the years. Of the \$42.2 billion in retirement benefits promised, the city has not funded \$31.8 billion in pension and \$828.8 million in retiree health care benefits.

Years of politicians claiming balanced budgets by woefully underfunding the city’s pension systems have left Chicago in a precarious financial position. The current crisis will result in lost revenues and increased expenses, which will further devastate the city’s finances.

THE TRUTH:



Data included in this report is derived from the city of Chicago’s 2019 audited Comprehensive Annual Financial Report and retirement plans’ reports.

CHICAGO FINANCIAL BREAKDOWN

FAST FACTS

- Chicago has \$10 billion available to pay \$46.5 billion worth of bills.
- The outcome is a \$36.4 billion shortfall, which breaks down to a burden of \$39,400 per taxpayer.
- This means that each taxpayer would have to pay \$39,400 in future taxes without receiving any related services or benefits.

THE CITY’S BILLS EXCEED THE ASSETS

Total assets	\$41,595,312,000
Minus: Capital assets	-\$27,231,141,000
Restricted assets	-\$4,314,492,000
Assets available to pay bills	\$10,049,679,000
Minus: Total bills	-\$46,470,825,000
Money needed to pay bills	-\$36,421,146,000
<u>Each taxpayer’s share of this debt</u>	<u>-\$39,400</u>

BILLS THE CITY HAS ACCUMULATED

Bonds	\$28,449,134,000
Other liabilities	\$8,342,262,000
Minus: Debt related to capital assets	-\$22,937,015,000
Unfunded pension benefits	\$31,787,657,000
Unfunded retiree health care benefits	\$828,787,000
<u>Total bills</u>	<u>\$46,470,825,000</u>

GRADE: F

Bottom line: Chicago would need \$39,400 from each of its taxpayers to pay all of its bills, so it has received an “F” for its finances. According to Truth in Accounting’s grading scale, any government with a Taxpayer Burden greater than \$20,000 receives an “F.”

Truth in Accounting is a 501(c)(3) committed to educating and empowering citizens with understandable, reliable and transparent government financial information. To be knowledgeable participants in their government and its budget process, citizens need truthful and transparent financial information.



About Us

Truth in Accounting (TIA) is a 501(c)(3) nonprofit organization committed to educating the public with truthful, timely, and transparent government financial information. TIA is nonpartisan and does not receive any grants from federal, state, or local governments.

All of the financial information in our reports comes from the government's comprehensive annual financial reports (CAFRs) and retirement plans' actuarial reports. TIA researchers use a thorough and holistic approach to determine the condition of government finances. This approach compares a government's bills—including those related to retirement systems and excluding debt related to capital assets such as land, buildings, and infrastructure—to the government assets available to pay these bills. We exclude capital assets because it is not prudent to sell long-term assets to pay short-term bills.

Until recently, state and local governments were not required to record the present value of their public employee retirement benefit obligations, including pensions and retiree healthcare, as liabilities on their balance sheet. For 10 years, TIA researchers have done a comprehensive analysis of each state's financial condition for the Financial

State of the States which included all these liabilities. We have also used this methodology for the last four years to analyze the 75 most populous cities and other government entities.

To simplify government finances, we break it down to a per-taxpayer level and calculate a single dollar amount called a Taxpayer Burden or Taxpayer Surplus. The Taxpayer Burden is the amount each taxpayer would have to pay to free the government of non-capital debt. We calculate this number by subtracting "total bills" from "assets available to pay bills," and then take the resulting number, or "money needed to pay bills," and divide it by the estimated number of taxpayers with a positive federal income tax liability (according to the IRS). Conversely, a Taxpayer Surplus is each taxpayer's share of the city's available assets after all bills have been paid.

We also use a grading system to provide a summary measure supplementing the bottom-line dollar amount reported in our Taxpayer Burden calculation. The government's grade is based upon its ability to remain debt-free as required to truly balance its budget. Our letter grades provide

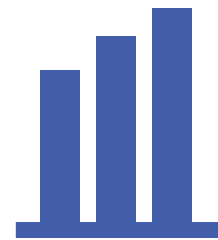
taxpayers a valuable alternative to the widely reported letter grades issued by credit rating agencies. We believe government officials and the media have become too reliant on credit ratings. These ratings

focus on the needs of bondholders, rather than taxpayers, and reflect a government's ability to pay bonds without considering other sources of government debt, such as unfunded pension liabilities.



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