**PRESS RELEASE**

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**FIORETTI: PENSION PROBLEM REQUIRES “MENU” OF REVENUE OPTIONS**

The word “crisis” gets tossed around in politics for any situation that’s unpleasant or requires courage. Therefore, Chicago has a pension “crisis.” But if we behave like knowledgeable adults and find ways to deal with the pension obligations that the city neglected for decades, we can relegate this crisis to the level of a mere problem.

The city has an unfunded pension liability of $28 billion. The city puts $1 billion into its pension funds now; by 2023 the required contribution will be $2.1 billion.

To anyone who says we can solve this problem by cutting spending somewhere else, the reality is that we can find nickels and dimes through efficiency, but we can’t cut $1.1 billion and still have a city left. This money pays for real things: Police and fire, street maintenance, building and health inspections, libraries and senior centers. The only immediate answer is more revenue.

“There is no single, magical solution. A menu of revenue options must be considered,” mayoral candidate Bob Fioretti, a former alderman (2007-15), said today. He outlined a number of options, some more practical than others:

* **Revenue from taxes on the legal sale of marijuana.** This is something that is coming, we are told, and there will be taxes, unlike the current black market, on which no taxes are collected; in fact, city resources are expended via enforcement efforts. We assume that some portion of the tax collected will go to the state and some to the city where the marijuana is purchased. We are hesitant to estimate a dollar amount on this because it will be new, but we believe that all tax money received by the City of Chicago from the sale of marijuana should be allocated to this pension need, before we get wide eyes and commit it to something else.
* **A commuter tax.** All cities have their local schools, parks, churches and government buildings that do not generate property tax. But Chicago has a huge number of regional institutions that have substantial payrolls, pay no property tax, and employ people who do not live in Chicago. These are universities (UIC, Loyola, DePaul, University of Chicago and the downtown collection of campuses), regional teaching hospitals (Rush, Northwestern, University of Chicago), the VA, and various county, state and federal facilities. The people who work at these institutions enjoy the protection of the Chicago police and fire departments and the benefits of our transportation system, yet unless they live in Chicago, neither they nor their employer pays taxes. This is the justification for a commuter tax – though it would invariably apply to all commuting Chicago workers, not only those who work at non-tax-paying institutions. The form that a commuter tax would take (a 1 percent payroll tax on non-Chicago residents?) would have to be discussed. This would require state legislation, the prospects for which are iffy. But any candidate for mayor who says he or she opposes a commuter tax is in fact stating a preference for raising property tax.
* **Video poker.** Other Illinois cities allow this; Chicago does not. Given the experience elsewhere in Illinois, this does not appear to be the problem that some folks suspected it would be. Allowing video game wagering in Chicago would produce some revenue for the city, which can be committed to the pension funds.
* **Sports betting.** This is another erstwhile vice that we expect to see legalized, regulated and taxed, and, like marijuana, a regime of regulation and taxation will replace a black market. However, we don’t expect much tax revenue from this. In order for sports gambling to be a viable business, a high percentage of the handle must be paid out in winnings. If the vigorish and tax level are too high, bettors won’t bet. This will be a small-dollar gain by the city. We can’t be greedy.
* **A casino.** This would produce significant revenue for Chicago, but our city leaders have seen casino proposals rise and fall in Springfield for the last quarter century. Unless and until there is state legislation, we can’t rely on a casino. Furthermore, even if a casino is allowed in Chicago, the permitting, siting and construction will take years. This has to be viewed as a future revenue source, not something that the next mayor can play with during his or her first term.
* The backstop behind all of this is **unused funds in the accounts of tax increment financing districts.** The Cook County clerk estimates that Chicago has $1.4 billion to $1.7 billion in unallocated TIF funds. This is money that taxpayers have already paid. It may not be legal to put TIF funds directly into pensions, but TIF funds may be sufficiently fungible to place into line items that are now funded by general revenue, and put that general revenue into pensions.

Earlier this decade, some changes were made to city employee pensions affecting city employees hired after the adoption of the changes. Over time, these changes will reduce the cost to taxpayers of city employee pensions. We will have to monitor the Tier 2 situation to see if costs are being reduced enough. If not, we might have to adopt Tier 3. However, nothing a Fioretti Administration would do would affect the pensions of current retirees, or of current city employees, who would continue to stay in the pension program that they signed up for when their city employment began. This is not only the right thing to do, but it’s the only legal thing to do.

“At some point, pension costs will go down, and some of the taxes mentioned could be reduced or eliminated, or allow for the reduction or elimination of other taxes,” Fioretti said. “But for now, this is a problem that we MUST face. There is no alternative. Any candidate for mayor who says otherwise is not a serious candidate, and any voter who thinks there’s a painless solution is not a serious voter.”

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