

A Budget to #ReimagineChicago for 2020 and Beyond

September 2019

EXECUTIVE SUMMARY

For the past decade, Chicago has displaced and over-policed Black and Brown families, and starved the city's working people of the resources they need to live and thrive. Black, Brown and working families overpay through a discriminatory use of fines, fees, and property taxes while corporate developers receive massive handouts for projects that displace residents.

The city's budget is an opportunity to continue on a path of growing inequality and austerity politics, or to chart a new path towards prosperity for all. A budget is a moral document, and we believe it must contain the funding for the resources that will make Chicago a safe, livable and thriving city for everyone.

The Mayor has forecast a \$838 million budget shortfall. If Chicago follows the Rahm Emanuel approach to managing our finances, working class communities will continue to bear the brunt of alleviating that deficit in the form of higher fines, fees and property taxes. In the meantime, solutions that ask the wealthiest residents and corporations to pay their fair share remain unmentioned and unexplored. We can not afford to continue this business-as-usual approach to Chicago's budget.

The City of Chicago recently signed away \$2.4 billion in property taxes to build two new luxury developments in already wealthy areas, and offered Jeff Bezos and Amazon \$2 billion in corporate handouts. This has been Chicago's playbook for decades and we are saying, "No more!" We can no longer carry the city's finances on the backs of the people who can least afford it. It's time elected officials find the courage and political will to shift the burden to the most well-off and those that have benefitted the most from the policies that have made Chicago a "Tale of Two Cities."

We, as a coalition of community organizations, labor unions and elected officials, understand the seriousness of the projected budget shortfall and are prepared to dig in and work with our aldermen and the mayor to create solutions. The budget framework described in the following pages rejects the false choice of choosing between funding pensions or funding public services. Our budget framework calls for reversing the decades of disinvestment from Chicago's Black and Brown communities, divesting from failed policies that increase racial inequality, and raising new revenue from the wealthy and large corporations.

Through this budget framework, we will:

- **Invest in a Chicago for the Many:** The city's budget must fund services and programs that Black, Brown and working class families need to make Chicago a city in which we can all thrive.
- Seek out **new progressive revenue sources** to counter decades of under-prioritizing and under-investing in our most vulnerable communities, and ensure the wealthy and big corporations pay their fair share.
- **Divest from failed policies:** Stop funding policies that increase racial inequality in our city and invest in efforts that begin to create real public safety and curb the alarming displacement of Black and Brown people.

INVEST IN A CHICAGO FOR THE MANY

We are in a crisis of displacement, gentrification, and over-criminalization all while continually handing out billions to the wealthy and large corporations. In Chicago, like many other cities across the country, neoliberal policies are a race-neutral way to achieve racist outcomes that disadvantage and displace Black, Latinx and poor communities. Chicago’s newly elected leaders must make deliberate plans to counteract the racist and inequitable impacts of past mayors’ neoliberal policies by targeting investments in communities of color. To accomplish this, there must be a massive expansion of affordable housing, fully funded public mental health clinics, childcare services, youth jobs, and various city-wide social services. This also means that workers should not be pitted against the city. Below is a list of some of the important programs and services the city must prioritize totaling \$1.9 billion in new investments.

| Program or Service | Description | Investment Needed |
|---|--|--------------------------------|
| Affordable Housing | Reform the ARO through the Development for All Ordinance; restore historic corporate budget funding levels to the Low-Income Housing Trust Fund. | \$8 million |
| | Invest in affordable housing services and homeless services as per the Bring Chicago Home proposal. | \$150 million |
| | Create a budget line for the preservation of Single Room Occupancy hotels. | \$28 million/year for 10 years |
| | Fund the services provided by the Senior Housing Bill of Rights Ordinance. | TBD |
| Public Mental Health Clinics and Services | Reopen all of the mental health clinics that were closed in 2012 and invest an additional \$25 million into public mental health services. | \$50 million |
| Universal Childcare and Early Childhood Education | Fund free childcare services and early childhood education for all children under 5 years old. | \$1.6 billion |
| Chicago Torture Justice Center & Memorial | Keep the city’s commitment to justice, healing and funding of the necessary programs to repair the harm done. Keep the city’s commitment to build a memorial in honor of the victims of police violence. This is part of the reparations package already passed. | ~ \$1 million |

| Program or Service | Description | Investment Needed |
|---|---|--------------------------|
| Year-round Youth Jobs | Provide jobs for youth year-round, along with training at a \$15/ hour wage. | \$70.4 million |
| Establish Office of Gun Violence Prevention | Operating and reporting directly to the Mayor. Will have a commission of government and community stakeholders. | \$50 million |

NEW PROGRESSIVE REVENUE SOURCES

We propose enacting a package of progressive revenue solutions to counter decades of under-prioritizing and under-investing in our most vulnerable communities and ensure the wealthy and corporations pay their fair share. Some solutions require state action, which the mayor and city council must work toward, but there are also many proposals that do not. The mayor and city council have the power to act on proposals that total \$771 million, with no action required from Springfield. The city's options that require coordination with the state total \$3.9 billion, which would go a long way in the years to come. In total, that's \$4.5 billion in new revenue. These viable alternatives, both for the short-term and the long-term, must be seriously considered and ultimately adopted. We must stop relying on increasing fines, fees, sales tax, and property taxes on the working poor and middle class.

| Revenue Proposal | Description | Revenue Generated |
|---|--|----------------------------|
| <i>Options the city can implement without state action.</i> | | |
| Real Estate Transfer Tax | <i>Properties over \$1 million are taxed at 2-2.5%. 96% of residential transactions would not be impacted.</i> | \$150 million ¹ |
| Restore Chicago's Corporate Head Tax | <i>Reinstate the tax at \$33 per employee per month.</i> | \$106 million ² |

¹ BringChicagoHome.org website. Accessed 27 Jan 2019. <http://www.bringchicagohome.org>.

² Bhatti, Saqib and Alyxandra Goodwin. *A World Class City. A Financial Blueprint for the City that Chicagoans Deserve*. Feb 2019. 21.

| Revenue Proposal | Description | Revenue Generated |
|---|--|----------------------------|
| <i>Options the city can implement without state action.</i> | | |
| Increase Chicago Hotel Tax | <i>Increase the Hotel Tax from 4.5% to 7.5%.</i> | \$75 million ³ |
| Institute a Payment in Lieu Of Tax (PILOT) on Large Not-for-Profit Institutions | <i>Payment to compensate a municipality for forgone tax revenue, based on assessment of large not-for-profit hospitals and universities.</i> | \$200 million ⁴ |
| Shut Down Lincoln Yards & The 78 TIFs | <i>Given the recent revelations in the Chicago Tribune (and ongoing litigation against the city), the 2 mega-TIFs, costing just over \$2 billion, should be shut down.</i> | ~ \$24 million |
| TIF Surplus | <i>Aggressively surplus the city's TIF funds - returning a total of \$400 million - with 51% going to schools and 23% back to the city budget to fund services.</i> | \$92 million |
| Antitrust Lawsuit Against Wall Street Banks | <i>Join the State of Illinois and other municipalities in an antitrust lawsuit against Wall St. Banks for rigging interest rates on bond sales.</i> | \$124 million ⁵ |
| | | |

³ City of Chicago Data Portal

⁴ Estimate from SEIU Healthcare Illinois-Indiana analysis of property values hospitals reported on annual Medicare cost reports, obtained from the federal Center for Medicare and Medicaid Services; and forgone property tax hospitals reported to the Cook County Assessor's Office on PTAX-300-HA forms.

⁵ Currently, the City of Chicago has 33 bonds worth \$1.95 billion impacted by the interest rate scheme. We estimate the city lost \$41 million as a result of the allegedly fraudulent behavior by the banks and it could recover up to \$124 million from the banks if the lawsuit is successful.

| <i>Options Requiring State Action</i> | | |
|---|--|-----------------------------------|
| Commercial Lease Tax | <i>Based on an annual lease tax of 3.5% imposed on office leases and 1% on industrial leases within the city of Chicago.</i> | \$135 million ⁶ |
| Luxury Goods and Services Tax | <i>Increase the sales tax on luxury goods and services.</i> | \$300 million ⁷ |
| Chicago Income Tax on Household Income over \$100k | <i>Impose a 3.5% tax on household income above \$100k, including high-earning commuters.</i> | \$1.4 billion ⁸ |
| Financial Transaction Tax | <i>Impose a tax on financial transactions at Chicago's Financial Exchanges at a rate of \$1-\$2 per contract.</i> | \$2 - \$2.4 billion ⁹ |
| City of Chicago's Share of the Local Government Distributive Fund | <i>This proposal goes after state money that is currently not distributed to Chicago like other municipalities.</i> | \$60 - \$70 million ¹⁰ |
| Vacancy Tax | <i>Long-term vacancy tax would apply to commercial properties vacant for 18 months.</i> | \$3 million ¹¹ |

⁶ If an annual lease tax of 3.5% is imposed on office leases and 1% on industrial leases within the city of Chicago.

⁷ https://ward43.org/wp-content/uploads/2015/09/Service-Sales-Tax_vFinal.pdf

⁸ Bhatti, Saqib and Alyxandra Goodwin. *A World Class City. A Financial Blueprint for the City that Chicagoans Deserve*. Feb 2019. 21.

⁹ Ibid

¹⁰ <https://www2.illinois.gov/rev/questionsandanswers/Pages/180.aspx>, based on the share percentage and a calculation of the current income tax

¹¹ With a \$1/sqft on office space, \$.30/sq ft on industrial space

DIVEST FROM FAILED POLICIES THAT INCREASE RACIAL INEQUALITY IN OUR CITY:

The city has prioritized and funded the over-policing and criminalization of the city's Black and Brown populations while simultaneously displacing these families through gentrification and disinvestment from critical resources like public schools, affordable housing and access to public mental health services. There are many opportunities for the city to shift away from these spending priorities. Our ideas for savings would allow us to have more money to invest in public services without requiring new revenue streams. Instead of continuing to increase the police budget (the largest obligation of the general corporate fund at 40%) and giving away billions in tax dollars to corporate developers through subsidies, tax breaks and TIF deals, the city can invest hundreds of millions of dollars in the city's neglected neighborhoods. Below, we lay out how the city should re-prioritize spending by divesting from policing, Wall Street banks, and corporate handouts.

FREEZE THE CHICAGO POLICE DEPARTMENT BUDGET

A budget is an expression of our collective priorities. Chicago's commitment to increasing the funding of our failed policing model (avg. increase of \$100 million/yr) has left working class, Black, and Brown communities over-policed, under-resourced, and without real public safety. Over the past 7 years (2012-2019) Rahm Emanuel increased the CPD's budget by 24%, while decreasing the budget for the Department of Housing and Economic Development by 20%, and flatlining the city's mental health spending.¹² Currently, nearly 40% of Chicago's corporate fund budget goes toward policing.¹³ The FY 2020 budget must take us on a new path if we are to address our city's housing and mental health crises. CPD's long history of mismanagement, abuse and failed policies calls into question their budget and supports the demand to freeze this line item, currently at \$1.6 billion for FY 2019. We can then redirect sorely needed monies, in the hundreds of millions of dollars, to important services.

RESTRUCTURE POLICE VIOLENCE SETTLEMENTS

Wall Street banks are making money from police harrasment, torture and killings, which disproportionately impact Black and Brown people. Currently, a large portion of police settlements are paid using debt because the city overspends their line item for police settlements: \$16.2 million. On average the city spends \$52 million/year, and has to borrow to fill that gap. The police department does not face any real accountability for misconduct and the city is borrowing money from Wall Street banks to pay for police settlements. Police settlements should be taken, instead, from the police budget and the city should increase the \$16.2 million line item to the average of \$52 million.¹⁴

¹² City of Chicago Data Portal

¹³ Bhatti, Saqib and Alyxandra Goodwin. *A World Class City. A Financial Blueprint for the City that Chicagoans Deserve*. Feb 2019. 22.

¹⁴ Goodwin, Alyxandra, Whiney Shepard, and Carrie Sloan. *Police Brutality Bonds: How Wall Street Profits from Police Violence*. Jun 2018. 15.

MORATORIUM ON PRIVATIZATION OF CITY SERVICES

Chicago is one of the leading cities in the country in privatizing city services and infrastructure¹⁵. Contractual services between the City of Chicago and private sector corporations totaled roughly \$94 million in the 2019 City Budget¹⁶. Mayor Daley leased the city's parking meters to private investors for 75 years, meter rates increased astronomically and the Inspector General found that the deal was undervalued by almost 1 billion.¹⁷ Instead of commodifying our public assets, like Chicago's water, schools, and transit system, we need to fully fund our public services and infrastructure and keep them public.

DIVEST FROM SUBSIDIES FOR WEALTHY DEVELOPERS

Corporations and wealthy for-profit developers are given subsidies and public handouts in exchange for promises of job creation and higher generated revenue. On the contrary, these deals often result in our communities being under-resourced and displaced through gentrification. A recent example, the \$1.3 Billion in TIF funds allocated to the new Lincoln Yards project, diverts much needed property tax revenue away from the neighborhoods that need it the most, and into the building of a new luxury neighborhood. The promise of jobs rings hollow as well. Jobs created with TIF funds, don't go to Black and Latinx residents of Chicago. Over a ten year period, Black majority city zip codes suffered a median loss of 620 downtown jobs per zip code and Latino majority city zip codes suffered a median loss of 381 downtown jobs per code; meanwhile, white majority city zip codes each added a median of 509 downtown jobs during the same period.¹⁸ It is time to divest from the model of subsidized downtown development that starves our neighborhoods and concentrates jobs and development into the hands of the few.

DIVEST FROM WALL STREET THROUGH A PUBLIC BANK

Chicago needs to declare its independence from Wall Street. Presently, we spend millions of dollars on financial service fees, interest, and consultations from private managers and financiers, all to wealthy Wall Street bankers. A public bank would allow the city to accrue profits and thus fund infrastructure projects and plug the budget deficit. In addition to the revenue generated, the bank would allow the city to save on financial fees in a multitude of ways, such as: underwriting city bonds with no fees, hiring in-house investment managers for the City's 7 pension funds, and refinancing the city's debt at lower rates. All of the money saved can be invested and will significantly improve the financial standing of the City.¹⁹

¹⁵Dutzi, Tony; Imus, Brian, and Phineas Baxandall, Ph.D.. Privatization and the Public Interest: The Need for Transparency and Accountability in Chicago's Public Asset Lease Deals. Fall 2009. 1

¹⁶ \$12,593,212 for Rental of Property for the Department of Fleet and Facility Management, \$43,662,056 for contract Waste Disposal Services for the Department of Streets and Sanitation, and \$38,627,280 for Contractual Services for the Chicago Police Department

¹⁷ Uspirg.org website Accessed 9 September 2019.

<https://uspig.org/reports/usp/privatization-and-public-interest>

¹⁸ Tellez, Eric. *Downtown Prosperity Neighborhood Neglect*. Oct 2013. 7.

¹⁹ Bhatti, Saqib and Alyxandra Goodwin. *A World Class City. A Financial Blueprint for the City that Chicagoans Deserve*. Feb 2019. 24.

Supporting organizations (in formation)

Asian Americans Advancing Justice - Chicago
Action Now
American Friends Service Committee
Brighton Park Neighborhood Council
Black Workers Matter
Chicago Coalition for the Homeless
Chicago Teachers Union
Enlace Chicago
Jane Addams Senior Caucus
Jewish Council on Urban Affairs
Kenwood Oakland Community Organization
Live Free Chicago
Logan Square Neighborhood Association
ONE Northside
Organized Communities Against Deportations
Raise Your Hand for Illinois Public Education
SEIU Healthcare Illinois and Indiana
Southside Together Organizing for Power
The People's Lobby/ Reclaim Chicago
United Working Families

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