



COVID-19 “Pandemic Budget” Forecast Announcement

August 31, 2020

SECTION 1: BACKGROUND

I stand before you today to detail the state of our city finances. To talk about the fiscal mountain we must climb, *again*, in the face of a catastrophic collapse of our local and national economy.

It would be easy in this moment to simply talk about dollars and cents, revenue loss, forecasts and resulting hard choices. To merely reflect upon the resulting sacrifices that we will all have to make. All of that is true and unavoidable, but this moment demands so much more. It demands more of me as mayor, but truly all of us as residents of this great city and as neighbors whose fates are inextricably intertwined.

I stand here today over five months after COVID-19 came to our city. Over 71,000 cases and climbing, hitting every corner of our city, but disproportionately impacting our Black and brown communities with sickness and death. Leaving all of us afraid, angry, frustrated and irreparably changed.

We are here a mere three months after the murder of George Floyd and the righteous civic outcry that still echoes in our streets through the chants of many who demand change. Our consciousness has been pricked and we must challenge ourselves to listen, to learn but also to be bold in our actions forged in real solutions, foundational change and not just nibbling around the edges of the problems that have plagued us for far too long. And I know that challenge includes me.

Our young people are calling upon us in this moment to acknowledge the present day damage originating hundreds of years after America's original sin of slavery, which spawned a cancer that metastasized into segregation, discrimination and cut short lives and left potential unrealized because we still have failed to forge that more perfect union.



We are also here together staring into our future while trying to address the on-going violence that rocks parts of our city and more recently, looting—all of which renders too many of our residents fearful and insecure about their physical safety and too many businesses, already hard hit by COVID-19 related shutdowns, despairing anew about their path forward.

We cannot talk about our fiscal health divorced from this moment in history. All of these cross-currents affect our financial future. This is a critical inflection point. It is momentous and a moment that all agree requires us to reject the status quo, and step into our truths.

I have said before and I believe it now that even in the face of this fiscal crisis, we should not and indeed cannot abandon our values. The challenges that we face require us to lean into our values of equity and inclusion. Not discard them as luxurious indulgences for easier times. No, we must continue building on the foundation that we set on Day 1 of this Administration.

What this time demands is that we come together as neighbors, casting aside the divisive rhetoric and rolling up our sleeves together as Chicagoans. We dare not retreat, we cannot retreat, and my friends, my neighbors, we will not retreat.

As a person of faith, and one who believes in the healing power of hope, I know with a certainty that we will find our way to a safer, more prosperous, and more just future. To paraphrase the great poet, Robert Frost, the only way forward is through. We have been through more this year than any city should have to endure in any time, let alone six months, back to back to back.

But we have been through tough times before and we have always come out of the moment stronger and more resilient than ever before. This time will be no different, but it will require us to continue working together. We are strong, we are resilient, because we are Chicago.

Let's begin by talking about where we are now. As we are all painfully aware, the impact of COVID-19 on our city has been devastating. Leading to over 71,000 confirmed cases and claiming the lives of over 2,800 Chicago residents. COVID-



19 is still here and we must continue to be just as diligent as we were in the early days when this virus first hit our city.

Meanwhile, this disease has forced a seismic disruption of our economy, and—as a consequence—our City's finances.

Latest numbers tell us that over 900,000 Chicago-area residents having filed for unemployment since the start of the pandemic, pushing our region's latest unemployment rate to 12.6 percent—that's up from February's rate of 3.6 percent. Meanwhile, many who *have* a job are receiving a fraction of their normal compensation as their businesses or employers struggle.

We also know that for many sectors, like hospitality, convention and tourism and personal services, areas that have been the hardest hit by COVID-19 induced shutdowns, many are still seeing a fraction of their typical revenues and some businesses have sadly closed with no hope of coming back.

In this, we are far from alone. Like every city and town in every corner of our nation, Chicago has seen economic activity dramatically fall and jobless rates surge to levels not seen since the Great Depression.

The economic impact of COVID-19 has hit revenue streams for the City budget hardest in the areas of tourism, hospitality and transportation. And while we are fortunate to have a diverse economy, nonetheless, the significant loss of revenues in these areas continues to be felt now and likely deep into 2021.

To mitigate the economic impact of COVID-19, we implemented a number of initiatives to support small businesses, employees and individuals. These have included:

- The \$100 million dollar Small Business Resiliency Fund which filled gaps for people like the unbanked or immigrant-owned small businesses who could not access the federal Paycheck Protection Program and—as of this Friday—saved nearly 4,000 jobs;



- The \$5 million dollar Microbusiness Grant Program which offered grants to microbusinesses with four employees or less. This program was also open to all regardless of citizenship status.
- The \$2 million dollar Chicago Housing Assistance Grants fund for renters who were struggling to make ends meet and make their rent payments.
- And more recently, the City launched the \$10M Together Now Fund which focused on assisting businesses harmed by COVID-related revenue loss, looting and other property damage.

We have also used our CARES Act funding to provide additional social services supports through programs like Chicago Connected, which is working to provide internet access for 100,000 CPS students, in addition to more housing assistance, homelessness prevention, seniors, food assistance, mental health, and workforce development, among other investments.

In addition to these City investments, generous individuals, the business community and philanthropy have stepped up in ways big and small to shore up those in need during this most challenging of times. We owe them all our gratitude.

Despite all of these and other ongoing efforts, our economy and therefore key revenue streams remain challenged.

SECTION 2: 2020 BUDGET SHORTFALL

Let's talk specifics about the 2020 budget shortfall—that's our budget shortfall for *this year*.

We told you several weeks back that our budget gap for this fiscal year 2020 was approximately \$700 million. Because our economy is still in crisis, that estimate has now increased to almost \$800 million. Why?

As you'll recall, when we announced our projections two months ago, we conservatively estimated a shortfall of approximately \$700 million due to the impact of COVID-19.



In developing that projection, we anticipated a fairly slow recovery, especially compared to other national forecasts.

However, in making our announcement, we also said that whether that projection held would depend on several factors.

First, that any increase in COVID-19 cases could potentially *widen* our budget shortfall even further. And, given the unpredictability of this pandemic, no one can say with any certainty how our recovery would proceed.

Due to the recent rise in COVID-19 levels, our estimated shortfall has grown to almost \$800 million.

Our rising case levels have hampered our city's economic recovery. Particularly those businesses most impacted by COVID-19, restaurants, bars, hotels, entertainment venues of all sizes from small independent clubs to large concerts and tours, convention and tourism, hotels and all of the other related businesses – they are still hurting because COVID-19 is still here and on the rise. There is a direct cause and effect.

Also affecting the recovery was looting and damage to our businesses that occurred three months ago and again more recently. The damage done was not just about shattered windows and lost inventory. The criminals who broke into stores helping themselves to someone else's property—shattered hopes and dreams and confidence in Chicago as a place that can sustain lives and livelihoods. Fear begets fear.

We have taken definitive steps to shore up security and hopefully confidence and also hold those who committed those crimes accountable. I say this as a Black woman, borne of parents whose life's dreams were quickly snuffed out by the brutality of racism and segregation—no one's life circumstances justify criminal conduct against another. Period.

We must continue our diligence against COVID-19 and against violence in any form that threatens our city. Particularly the gun violence that has plagued our



neighborhoods for generations, leaving our families shattered and our communities gripped in collective trauma. Nothing is more important.

To confront the financial challenge immediately before us and close the \$800 million 2020 shortfall, we have already identified \$550 million of solutions.

These include leveraging up to \$350 million in funding from the CARES Act.

And at least \$200 million from debt refinancing.

We expect to be able to address the remainder through a combination of continued efficiencies and spending controls, additional federal funding, and borrowing.

This is the reality of a budget deeply impacted by this horrible virus.

SECTION 3: 2021 “PANDEMIC BUDGET” GAP

As you must know, COVID-19's budgetary impact is not limited to 2020 alone, but extends to our upcoming year.

As reported in our Budget Forecast which we released today, our projected gap for 2021 is estimated to be \$1.2 billion.

Let me say that again: \$1.2 billion.

This will be our “Pandemic Budget.”

I emphasize this point about our 2021 Pandemic Budget because there is a narrative among some that there should be no federal help for municipalities like Chicago, in states like Illinois because somehow our budgetary woes are as a result of years of mismanagement. In other words, our own darn fault. Simply not true.

COVID-19's estimated impact on revenue loss for 2021 totals no less than \$783 million, or 65 percent of our total estimated gap. So, the vast majority of our gap for next year is because of revenue loss due to COVID-19.



COVID-19 is the single largest driver of our economic challenges and our City's budgetary gap.

Make no mistake, our economy will recover over the next few years . . .

But for that to happen as quickly and stably as possible, Chicago—along with every other city and state in our country—must have the resources to address the impacts of COVID-19 on our “Pandemic Budget” right now, in this moment.

The federal government must step up and support our cities and states with additional stimulus dollars critically needed by our families and businesses.

We are in a crisis unlike anything we have experienced in our lifetimes.

This should not be up for debate.

I know this is campaign season, but this is not a red v. blue issue. This calamitous financial crisis is bipartisan in its impact, and we need a bipartisan solution. We cannot let the policy makers in Washington, D.C. fiddle while our country burns.

That is why we fully support the efforts of our Illinois delegation, led by Senator Dick Durbin and Senator Tammy Duckworth, in advocating for more funding for our families, businesses, and communities.

Regardless of the outcomes in Washington, our 2021 Budget was thankfully saved from an *even greater* financial hit due to the numerous structural reforms we undertook in creating our 2020 Budget last year.

As you'll recall, in our effort to close last year's gap of over \$800 million, the City implemented over \$500 million in structural solutions, meaning revenue sources or efficiencies that were not one-time fixes but that continue year after year. This represents the largest amount of structural revenue solutions since 2012, and represented 60 percent of the budget gap.

These included new revenue streams that met both policy and financial goals.



And fully supporting both our Police and Fire pension ramps to actuarial funding for the first time in our city's history.

It's because of these measures—along with others—that last year's budget rightfully won the approval of the nation's major credit rating agencies, as well as the approval of local financial watchdogs like the Civic Federation.

The remainder of that gap from last year is what we continue to address today. But regardless of the outcomes, our goal this year in this "Pandemic Budget" is to get through this crisis and continuing our initial efforts to spur a robust *recovery*.

SECTION 4: 2021 "PANDEMIC BUDGET" SOLUTIONS

So, how do we meet the ongoing and challenging process over the coming weeks that will demand the involvement and input of our entire city?

To reiterate, a critical factor will be the level of funding we receive from the federal government. We are clear eyed about the political obstacles, but nonetheless, we remain resolute in our advocacy for federal relief.

The resources from the CARES Act have been critical in enabling us to support our ongoing response to the COVID-19 crisis . . .

Encompassing many of the programs I listed earlier.

But let me remind you that by law, those CARES Act dollars cannot be used for straight up revenue replacement. And so more federal help is desperately needed. This is precisely the time for the federal government to provide additional stimulus for main street and not just Wall St.

We will also need our fair share of revenue from Springfield. Starting with fully funding the Local Government Distributive Fund or LGDF.

Yes, I am painfully aware of the state's own fiscal challenges. Even so, tax dollars from Chicagoans fund Springfield, just like tax dollars from other municipalities across the state. And just like our fellow Illinoisans, we all want the same thing:



fairness, and fairness in this context means getting our fair share of funding. To our partners in Springfield—we're in this together, we've done great things together already in my short time in office--and I know we can work together to fully fund LGDF and avoid sending us unfunded mandates. And yes, we must continue to work together to find real solutions to the pension crisis and make sure all of the funds are sustainable for years to come.

Beyond additional funding from the federal government and our fair share of state funding, our financial team here is also weighing an array of other measures.

Just as we did in the 2020 budget, for months now, we have been proactively working to identify efficiencies as good stewards of your tax dollars.

And just as with our 2020 budget, these efforts are guided by our values of growth that is strong, sustainable, and—most of all—inclusive.

This includes looking at all existing contracts to make sure they are needed, and if so, ensuring we are getting the benefit of our bargain. We will be scrutinizing all dollars spent with an eye toward maximizing jobs and wealth for Chicagoans.

On the expense side, we are also exploring traditional efficiencies such as vacancy closures . . . but also reimagining how our government operates post-COVID-19.

The reality is that life will be different for the foreseeable future, impacting how services are provided and how departments are structured, and we must adjust to meet that reality.

A very difficult part of reimagining government will also include looking to our workforce, and making needed changes in places that are not being fully utilized during the remainder of this crisis and in our post-COVID-19 world.

Some painful choices will need to be made, including the likely necessity of personnel reductions. I don't take this lightly--our City workers are the backbone of this town's middle class. So I'll do everything I can to prevent layoffs—but the reality is stark, our options in this fiscal crisis are limited – all of which will require some hard and yes, painful choices. We have started conversations with our



partners in organized labor, which will be important as we move forward. To those in the labor movement: As we navigate this crisis together, you have my word—anything we do now will involve true engagement and collaboration. No proposal is set in stone and we welcome all ideas.

And yes, we must continue the important discussion that has already started around funding public safety, including our police department. First, a note of caution. Some framing of this important discussion poses a binary choice – either fund the police or fund communities. That is in my estimation, a false choice. To continue our mission of building safe and vibrant neighborhoods, we need to both fund communities and resource all of our public safety departments.

Of course, we need to continue the work of reigning in costs that were unchecked for years like overtime and litigation expenses. And we put in those very controls in our 2020 budget and they must be a feature of our 2021 budget and every year thereafter. And equally important, we need to continue building on reforms mandated by the consent decree. In the long run, those reforms will help us reduce the millions we spend every year on police misconduct settlements.

And we must fund investments in our people and in all neighborhoods just like we did in the 2020 budget, with historic investments in mental health, housing, and homelessness, violence prevention, and economic development initiatives like Invest South/West, just to name a few.

This cannot be an either/or choice.

For me, the crux of this discussion around public safety funding is answering the threshold question of who is the best responder to address a community's call for help. For far too long, we have reflexively answered "the police," while defunding needed social services. But the truth is that by virtue of our neglect of communities, police officers are responding to calls for help that go far beyond their training and expertise. That sets them up for failure and community scorn.

I have heard the calls of the mass movement we've seen in our streets and around the country. And I agree with them on this—we need to get serious about the possibilities for alternatives, and continue the policy shift that we started last year



in treating violence as a public health crisis, and responding with an array of interventions that may or may not involve the police.

Let's dig in and have that discussion, and let's be thoughtful and kind along the way.

Those are some thoughts around expenses.

On the new revenue side, we are continuing to explore new sources that make sense from both a policy and financial perspective. We need to make choices about additional revenue that aid our recovery, not hinder it. We must be smart, prudent and strategic and make choices that spur growth and build wealth. We must avoid grabbing for any revenue source without regard to the consequences.

For example, we are taking a hard look at the personal property lease tax on computer leases.

This is an area we've been seeing historical growth, and—due to the likely increase of teleworking—expect to continue post-COVID-19.

This is also a revenue source that is currently lower than all other lease taxes.

We will also find revenue in tax valuations which have been stronger than expected, helping support a large TIF surplus.

As you'll recall, in our 2020 Budget, we declared a TIF surplus of \$300 million, the largest in the City's history. We will work to aggressively surplus again this year. And while we have made historic reforms to the TIF program already, our work there isn't done, and we'll have more announcements in that regard over the course of the next year.

Finally, while 2021 will be our "Pandemic Budget," we will also continue to build bridges to structural balance in the years that follow.

As I said earlier, our economy will recover from this crisis, and we need to position ourselves to be ready to capitalize on that. The faster we recover, the faster we can



continue to walk the path toward structural balance. And government—at all levels—will play a central role in providing the stimulus needed to speed that recovery.

For that reason, last week, we posted a Request for Information to solicit ideas and feedback for a Chicago casino. After decades of futility, Chicago was finally granted an opportunity to bring casino gaming to this city, thanks to great collaboration with our partners in Springfield. We will be bold in our ambitions for a world class entertainment district not simply a casino—we will create good paying, union jobs in the construction and on-going operation.

We welcome all responses—from operators in the industry, to key stakeholders who have an interest in the development of a casino—that are in line with our values of transparency and community engagement.

The casino RFI announcement represents just the beginning of our budget process.

And as we move closer to our budget address in October, we will be providing more details on the other avenues we'll be exploring.

But let me also say this: Our responsibility to our city and our taxpayers demands that we prepare for every contingency, whether it be a protracted economic recovery, a second surge in COVID-19 cases, or both.

That is why it is *imperative* that we as a city adhere to the public health guidelines until we have an available vaccine.

As I've said before, health is what got us into this, and health will be what gets us out.

And the higher our city's case rate is, the slower our recovery will be. It's really that simple.

SECTION 5: PUBLIC ENGAGEMENT

Let me end where I started.



We have been through a lot.

But I will tell you the thing that has me most concerned is increasingly, we seem to have lost the ability to talk to each other and our ability to work together toward common goals is becoming increasingly limited.

The discussion has moved from “how can we work together?” to “how can we score points?” We are losing the ability to see other people’s perspectives. Too many of us ascribe the worst motives to anyone who does not agree with 100 percent of our beliefs.

We need to change the tone of our discourse, and no better place to start than the process we will engage in together over our fiscal future.

And when I say “we,” that includes me as well. I am proud of what this Administration has accomplished to take on the status quo that was failing too many Chicagoans—and to do it in a short time, against a lot of tough odds. We have made progress, but there is still much more work to do.

But I need to push myself harder to work with people with whom I do not agree and who do not agree with me. If you are focused on creating a better tomorrow for all of our residents, then I will be even more intentional in finding common ground with you. Reach out to me and I will do the same.

There is more that I must do, not only as a mayor, but as a person who loves this city and its people, as a neighbor, a friend and a mom. I want my daughter to see her mom as a person of strength and great character, a person who is a fearless advocate for those who were locked out from access to power and resources for far too long. A person of empathy and with an open mind and compassionate heart.

While I have worked hard to model the behavior I want our young people to emulate, I know that I must do more.

I hope that all people of good will in this city will join me.



In the face of all the darkness we have endured, we still have seen tremendous courage and strength – among our youth, our first responders and health care workers, our volunteers and thousands of unsung heroes who do the Lord's work every day, because it is simply the only moral choice.

Have things gone right every time? Of course not. People will write books about 2020 and some of the chapters will not be pretty. But through it all, the greatness of our people and this magnificent city has come shining through.

Let's create and pass along that spirit every day. It is never too late for us to do more to listen, work together and at least here in Chicago, strive toward that more perfect union.

We have a lot of work ahead of us.

And I look forward to being with you, shoulder to shoulder on this journey toward our shared future.

Thank you, God bless you and God bless our beloved city of Chicago.