Alumni Exchange: Coronavirus, its Disparate Economic Impact and Silver Linings:

Fiscal Impacts

Amanda Kass, Associate Director, Government Finance Research Center, College of Urban Planning and Public Affairs, email: akass6@uic.edu
Year-Over-Year Change in Cities’ Sales, Income, and Property Tax Receipts

Source: National League of Cities, *City Fiscal Conditions 2020*
Comparative Revenue Trends on City Revenue During Recent Recessions

Source: National League of Cities, *City Fiscal Conditions 2020*
State of Illinois & City of Chicago Finances

- State of Illinois
  - FY2020 income and sales tax revenue -4% less than 2019
  - FY2021 est. income and sales tax revenue -7% less than 2019
  - Balancing budget by borrowing
  - Fair Tax amendment on November 2020 ballot

- City of Chicago
  - FY2020 local tax revenue projected to be 28% less than budget
  - Increasing pension contributions will be ongoing challenge
    - Est. FY2022 contribution is 24% more than FY2021
Little Federal Support for State + Local Governments

- Coronavirus Relief Fund
  - $ is for spending tied to COVID-19 (e.g. public health expenses)
  - Can’t be used for revenue shortfalls

- Municipal Liquidity Facility – Federal Reserve program to provide short-term loans to qualifying state and local governments
  - Initial criteria for inclusion excluded *all* major, majority Black cities
  - Not being used—99% of $500 billion available unused
An Opportunity to Re-Think State and Local Finances?

- Unfair property assessments make property taxes regressive
  - *Chicago Tribune’s 2017 tax divide series*
  - Historical work by Andrew Kahrl

- Constraints on revenue raising capabilities
  - Property tax limits have greatest reduction in effective rates for white homeowners (Martin and Beck 2017)

- Growing importance of fines, fees and forfeitures
  - 10% of the City of Ferguson’s budget was from petty fines and forfeits (Henricks and Seamster 2017)