



COOK COUNTY
BUREAU OF
FINANCE

Recommendations of the Independent Revenue Forecasting Commission

**Statutory Report to the Cook County
Cook County Board of Commissioners**

August 28, 2024



Introduction

The Office of the Chief Financial Officer (OCFO) presented the FY2025 Preliminary Forecast¹ and long-term revenue forecast to the Independent Revenue Forecasting Commission (IRFC) at their June 27, 2024 meeting. The IRFC analyzed the forecast and met on August 28, 2024 to discuss its recommendations for improvements to the forecast. The OCFO provides the following report on the IRFC's final recommendations in accordance with Section Sec. 2-78 of the Cook County Code:

- d) The CFO shall provide the President and the Board with copies of the forecast and the IRFC's final recommendations along with a written report as to whether or not the CFO advises adopting the IRFC's final recommendations. The CFO's report will identify the reasons in support of such decision. The forecast, IRFC's recommendations and CFO's report on the IRFC's recommendations shall be tendered to the Cook County Board of Commissioners at its September Board meeting for receipt and file.

Recommendations

The IRFC's recommendations build on those approved in FY2023,² reflecting the need to continue the implementation of previous recommendations. The recommendations are described below:

1. Revisit sales tax forecast methodology
2. Review CountyCare financial metrics and membership forecasting methods
3. Continue to consider options to sustain ARPA programs in the long term

Revisit sales tax forecast methodology

The County should revisit the methodology it uses to forecast its home rule sales tax, which comprises more than half of the county's General Fund. Forecasting this tax is a critical part of the OCFO's efforts. The County experienced low, but positive variances relative to the budgeted forecast for FY2023 as well as in FY2024 year to date. However, continuing to improve the methodology around this forecast is imperative to the county's fiscal condition. The IRFC recommends that the OCFO pursue methodology and process improvements around the sales tax forecast to ensure that it continues to produce robust and consistent results. Next steps include:

- In the second half of FY2024, the OCFO should revise assumptions around the phasing in of remote sales after January 2021 using detailed sales tax data from the Illinois Department of Revenue or other modeling methods.

¹ Cook County, FY2025 Preliminary Forecast Report, <https://www.cookcountyil.gov/sites/g/files/ywwepo161/files/documents/2024-06/FY2025%20Cook%20County%20Preliminary%20Forecast.pdf>

² Recommendations of the IRFC, Statutory Report to the Cook County Board of Commissioners, August 28, 2023, <https://cook-county.legistar.com/View.ashx?M=F&ID=12392893&GUID=F1EAB346-B2CB-4628-A677-13597F2F7A65>



- Starting in the second half of FY2024, the OCFO should ensure forecasting assumptions are consistent with administrative and legislative changes at the state level by establishing regular communication with the Illinois Department of Revenue.
- In the 1st quarter of FY2025, the OCFO should clarify and document its approach to comparing methods and economic drivers of sales tax revenue. Considerations should include significance of regression statistics, review of coefficients to determine reasonableness, and multicollinearity.
- In the 1st quarter of FY2025, the OCFO should research how other governments with substantive sales tax revenues forecast their sales tax and continue to meet regularly with regional partners on this topic.
- In the 2nd quarter of FY2025, the OCFO should test out changes to methodology, incorporating IRFC feedback and best practices from other governments. Potential dimensions to consider may include functional forms (e.g., using logarithms instead of levels); trend and seasonal adjustment factors; real vs. nominal measures; time horizons used; and frequency of data used for forecasting (monthly, quarterly, annually).

Review CountyCare financial metrics and membership forecasting methods

CCH and the OCFO should continue their efforts to refine the forecast for CountyCare membership as well as analyze CountyCare's finances. CountyCare revenue is a function of the number of CountyCare members and the per member per month revenue generated by those members. Both factors are driven by federal and state policy changes that impact membership levels and PMPM rates set by the State. Currently, pre-pandemic trends as well as short-term trends in membership are being used to forecast membership by category of member. Estimates of PMPM rates are based on actuarial assumptions regarding unit cost trends, utilization trends, and program changes.

During the pandemic, the redetermination process for Medicaid eligibility was paused, driving up CountyCare membership levels. The process resumed in the summer of 2023, reducing membership levels. However, membership is not expected to drop down to pre-pandemic levels, reflecting other impacts to membership.

These impacts may include new trends in enrollments and attrition. The IRFC recommends that new methods should be explored based on these trends and throughout the year, actual membership trends should be used to validate the method. In addition, the IRFC would like to develop a better understanding of the potential sources of financial risks associated with variances from the assumptions included in the baseline forecast for CountyCare. Next steps include:

- In the 1st quarter of FY2025, CCH will assess whether new enrollment trends have emerged that need to be accounted for in membership forecasting methodology.
- In the 1st quarter of FY2025, CCH and the OCFO will provide data to the IRFC on metrics such as membership by category, medical loss ratio, and PMPM rates, as well as information about financial risks associated with variances from the assumptions driving the baseline forecast.



- In the 2nd quarter of FY2025, if warranted, CCH, in consultation with the OCFO, will consider new membership forecasting methodology. Such methodology would be tested using actuals in order to validate the method.
- In the 3rd quarter of FY2025, any new forecasting methodology would be integrated into the membership forecast.
- In the 3rd quarter of FY2025, CCH and the OCFO will document membership forecasting methodologies.

Continue to consider options to sustain ARPA programs in the long term

The County should explicitly prepare for the conclusion of American Rescue Plan Act (ARPA) funding after December 31, 2026. Under ARPA, the County will expend about \$1 billion to support its policy priorities through 2026.³ Of the \$806 million allocated to community programs, approximately \$297 million has been expended through July 2024.

As discussed at its June 27, 2024 meeting, the County is undertaking an extensive process to assess the overall sustainability of these ARPA-funded initiatives. The evaluation will consider fiscal sustainability to understand whether a program needs additional funding starting in FY2027 or if external funding opportunities may be available; policy alignment with the County's long-term vision and needs; and program evaluation to determine whether programs are meeting intended goals. This evaluation is being informed by a community engagement effort conducted during the summer of 2024. This sustainability process is inherently iterative and will require that the County update the analysis on a regular basis.

Initiatives identified as priorities would require a source of funding starting in FY2027. The County has assigned \$166 million to a reserve to support programs while other sources are identified, but this support is intended to phase out. Beyond existing county resources, funding options could include external sources of funding such as grants. The IRFC recommends that the County continue its evaluation process and efforts to identify funding sources. Next steps include:

- Throughout FY2025, the OCFO should provide the IRFC with regular updates on the ARPA sustainability process, including efforts to identify external funding opportunities that would provide a sustainable source of funding
- The OCFO should continue its efforts to be proactive in identifying data and research that would be required to plan and perform analysis of any new funding sources for ARPA programs.

³ Cook County of Illinois, State and Local Fiscal Recovery Funds, 2024 Recovery Plan Report, https://arpa.cookcountyil.gov/sites/g/files/ywwepo311/files/document/file/2024-07/BOA-CookCountyRecoveryPlan2024_72924.pdf.