Item #5C:

Village President Underwood

Proposed Reduction To Income Tax Revenues

02/19/15

David Lothspeich

From: IML Legislation [IMLLegislation@iml.org]
Sent: Wednesday, February 18, 2015 3:58 PM
Subject: Illinois Municipal League Statehouse Briefing - February 18, 2015

IML Statehouse Briefing

Illinois Municipal League
Educate. Advocate. Empower.

On the ground news and insider information! **February 18, 2015**

Governor Rauner Calls for Significant Cuts in Budget Address

Governor Bruce Rauner delivered his first and highly-anticipated budget address earlier today. In the days leading-up to the speech it became clear that local government revenues would be included in these significant cuts. The Governor's Budget Address confirmed this to be true. Additionally, the Governor appeared to exclude public safety personnel from future pension reform efforts pursued by the Administration.

Here are the key provisions quoted from the Governor's speech that affect local governments:

Local Revenue Reductions

Governor Rauner is proposing that Local Government Distributive Fund (LGDF) revenue be reduced by 50 percent. LGDF is shared state income tax money. Municipalities presently receive 8 percent of total state income tax collections. From the speech:

"While the state tightens its belt, so too must local governments and transportation agencies.

The amount of money transferred to local governments has grown 42 percent over the past decade. The state currently transfers $6 billion every year to local governments. Those governments are currently sitting on more than $15 billion in cash reserves.

The reduction in local government sharing in this budget is equal to just 3 percent of their total revenue.

Along with this modest cutback, our turnaround reforms will reduce unfunded mandates, and give local governments and voters the tools to save hundreds of millions of dollars through consolidation, employment flexibility and compensation restructuring."

Transportation Spending Reductions

"Similarly, waste and inefficiency can be cut from the complex web that comprises our public transportation structure.

Statewide, our public transportation agencies spend billions of taxpayer dollars.

Our budget reductions for the state's largest transit agency amount to less than 5 percent of its overall budget, and here, too, the proposals in our turnaround agenda give our transportation entities the tools to save hundreds of millions of dollars."

Pension Reform

The Governor proposed enrolling active government employees into Tier 2 with respect to their future pension service accruals.

"Our top priority for financial reform must be our pension system. That is true regardless of the Supreme Court's decision on SB 1.

Even if our pension systems were fully-funded, taxpayers would still be on the hook for $2 billion.

But our pension systems are not fully-funded. They are $111 billion in the hole – the worst pension crisis in America.

As it stands right now, one out of every four dollars taken from taxpayers by the state goes into a system that is giving more than eleven thousand government retirees tax-free, six figure pensions worth as much as, in one case, $450,000 per year."

The Governor also identified public safety employees as deserving of special consideration.

"But moving forward, all future work will be under the Tier 2 pension plan, except for our police and firefighters.

Those who put their lives on the line in service to our state deserve to be treated differently, and I believe the public will stand with me in this single case of special treatment."

IML Reaction

Quite obviously, the IML has always been, and remains, a strong advocate for state-shared municipal revenues. We intend to work with the Administration and General Assembly with the goal of protecting this vital source of municipal revenue. In advance of the Budget Address, IML Executive Director Brad Cole sent a letter to the Governor and members of the General Assembly to emphasize the importance of LGDF revenue to local communities. An informational document about LGDF accompanied this letter.

A statement by Executive Director Brad Cole on the Governor's Budget Proposal can be read here.

The full text of the Governor's Budget Address can be read here.

To calculate what a 50 percent LGDF reduction would mean to your community, multiply your population by $99 (estimated Municipal Fiscal Year 2016 per capita distribution) and divide that number in half. **Please make your state legislators aware of the proposed loss with an emphasis on how it would impact your operations and service levels.**

FOR IMMEDIATE RELEASE
DATE: **February 18, 2015**

CONTACTS:
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Metropolitan Mayors Caucus
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MAYORS CAUCUS STATEMENT ON GOVERNOR RAUNER'S PROPOSED REDUCTION OF LOCAL GOVERNMENT FUNDS

The Metropolitan Mayors Caucus is extremely disappointed in Governor Rauner's call to reduce the local share of the State income tax by 50 percent which he announced in his Budget Address to the Illinois General Assembly today in Springfield. The Caucus' member mayors from 273 municipalities in the Chicago metropolitan area are very concerned about how this $600 million cut will affect their abilities to provide essential services to their residents. They are surprised that the Governor proposes to transfer The State's budget problem to local government.

The local share has been an important revenue stream for municipalities since the income tax was first instituted in Illinois in 1969. Local communities have counted on it for 45 years to help fund key public services like police, fire, water and sewer treatment, infrastructure repair and construction and snow removal. A 50 percent sweep of these funds will reduce the revenues for these needed local services by nearly $50 per resident.

The City of Chicago would, see its local share cut by about $135 million each year under the Governor's proposal. A town like south suburban Sauk Village with a population of 10,000 would see an annual cut of approximately $500,000. A community of 25,000 like Batavia in Kane County would experience a cut of about $1.25 million annually. Orland Park in southwest Cook County with a population of 60,000 would see its annual local share cut by approximately $3,000,000. The City of Aurora with a population of 200,000 would see its annual local share reduced by about $10,000,000. Cuts of these proportions will undoubtedly have significant negative impacts on local services.

Local governments across Illinois are still feeling the effects of the 2008 recession. They have acted in a fiscally responsible manner during the economic downturn and have been reducing personnel, cutting services and controlling spending to balance their budgets over the last several years. The Governor's proposed 50 percent reduction will lead to more layoffs; additional delays and cancellations of more infrastructure projects; and increase local taxes and user fees.

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"I'm not sure Governor Rauner understands the affect this proposal will have on local governments," said Daniel J. McLaughlin, Mayor of the Village of Orland Park and Chairman of the Metropolitan Mayors Caucus. "Our annual budgets have already been adopted. Communities are counting on their share of the income tax to pay for local services. Reducing revenues will force communities to have to make further decisions to lay off police officers and firefighters, end repairs to critical infrastructure and cut other key services. These are real decisions that will impact the everyday lives of our citizens. They're not just moving commas in a ledger like they may be doing in Springfield."

During the campaign, Governor Rauner spoke about working in partnership with local governments to better serve the residents of our State. The Mayors of the Chicago region are highly disappointed that as one of his first acts, the Governor has chosen to shift the State's budgetary problems onto local governments. This is not acting in partnership.

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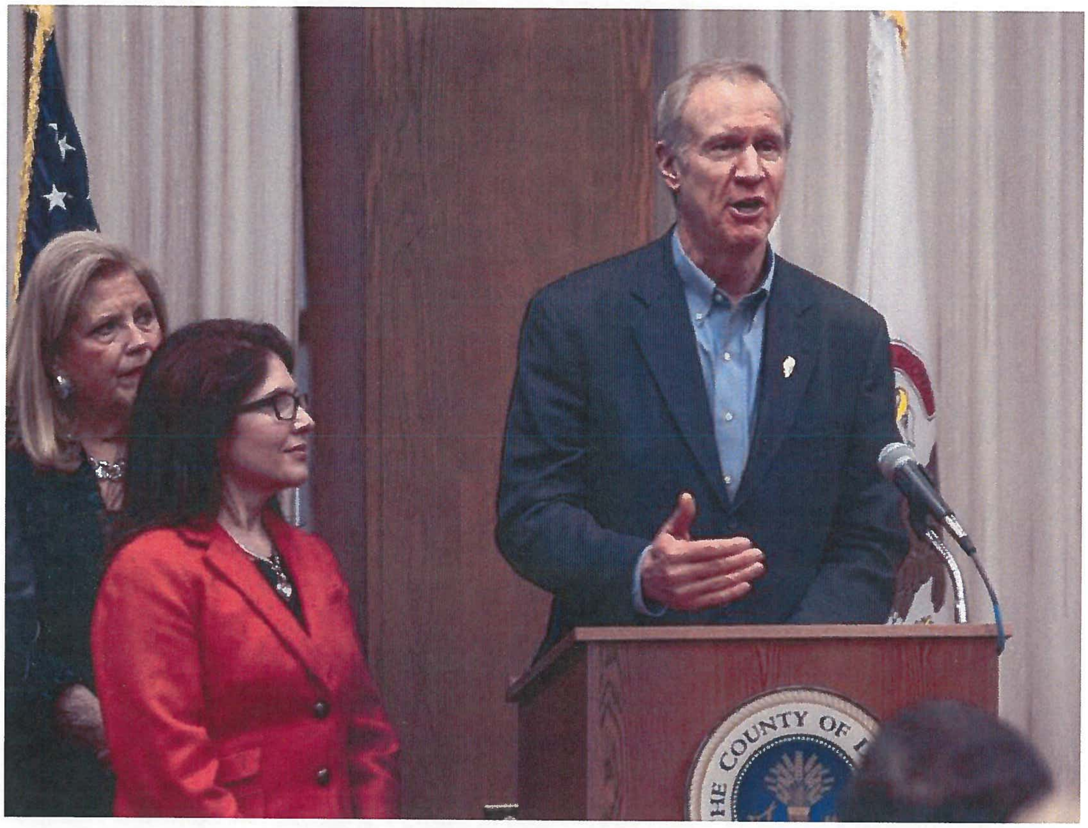
The Metropolitan Mayors Caucus is a membership organization of mayors from Northeastern Illinois' 273 cities, towns, and villages. The Caucus pushes past geographical boundaries and local interests to work on public policy issues, providing a forum for metropolitan Chicago's chief elected officials to collaborate on common problems and work toward a common goal of improving the quality of life for the millions of people who call the region home.

Daily Herald

Politics | updated: 2/18/2015 3:11 PM

Rauner: Cut suburbs' revenues by millions



Gov. Bruce Rauner wants suburbs to give up half the money they get from state income taxes.
Bev Horne | Staff Photographer

Mike Riopell

Gov. Bruce Rauner today is asking suburbs to give up about half of the money they get each year from state income taxes.

The proposal comes as part of his sweeping ideas for budget cuts across state government intended to rescue the state's troubled finances, but mayors might not love what the move means for their budgets.

Rauner supported the state income tax reduction at the beginning of the year, but asking for the mayors' share would boost how much the state gets at the expense of local governments.

"Saying no is not popular," Rauner said.

The new governor touts the budget as one that doesn't rely on new taxes and says the amount the state has sent to communities over the years has continued to grow despite the state's troubles.

Mayors saw the proposal coming, and have already crunched some of the numbers. For Schaumburg, that'd be a cut of about $3.5 million in the next year.

Because of the give-and-take likely to occur with the legislature, however, Schaumburg Village President Al Larson considered it too early to start forming a plan as if Rauner's proposal was the final word.

"We have yet to sit down and discuss what our options are, but we have to wait until we find out what the final numbers are before we make any premature comment," Larson said.

Rauner, a Winnetka Republican, also has called for a freeze on property taxes, and Democrats said it was a contradiction that the governor would try to take money away and ask them to take in less local money at the same time.

"To me, it's a logical step to think that if we're taking their money ... that their option will be to increase property taxes," state Sen. Melinda Bush, a Grayslake Democrat, said.

Republicans, though, said there would need to be pain everywhere to solve the state's deep financial problems.

"It's going to be tough medicine for a lot of groups, but it's a realistic budget," state Rep. Tom Morrison, a Palatine Republican, said. "We actually balance the budget rather than using gimmicks."

Communities now share a pool of 8 percent of Illinois income taxes, and Rauner wants them to take 4 percent in the budget starting July 1.

Other towns that get less would lose less.

Rauner's plan will need lawmakers' approval to go forward.

His proposal is a more severe version of what's been proposed by former Gov. Pat Quinn in past years, so mayors have fought this battle before. They'd won so far, tapping into the political strength of local government at the Capitol, which is inhabited by lawmakers who have close ties to local officials. Many are former mayors or former members of various local boards.

VILLAGE OF LONG GROVE
RESOLUTION NO. 2011-R-11

A RESOLUTION OPPOSING THE PROPOSED REDUCTION OF DISTRIBUTIVE REVENUES BY THE STATE OF ILLINOIS

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Long Grove, Lake County, Illinois, as follows:

WHEREAS, when the State Income Tax; State Sales Tax; State Gas Tax and State Personal Property Replacement Tax were adopted, these revenue sources were sold to the people of Illinois by various governors and legislators in part on the notion that portions of these revenues would be returned to local municipalities under the rationale that the returned revenues would be used to fund local services and invest in local capital projects;

WHEREAS, Illinois taxpayers live in municipalities throughout the state and contribute income tax of which 90% goes to the state and 10% goes to municipal services; and

WHEREAS, the State of Illinois Recently approved a 67% Income Tax increase and corporate taxes that were identified as an alternative solution to addressing the $14 billion State deficit and an alternative to seeking additional bonds and going into further debt to pay current obligations;

WHEREAS, the budget director for Governor Pat Quinn, David Vaught, has proposed that municipalities "share the pain" and swallow a $300 million reduction in Local Government Distributive Fund (LGDF) revenue.

WHEREAS, Illinois municipalities recognize the compelling need for solutions that address the financial challenges facing the State of Illinois and the Illinois municipalities and strongly supports solving existing severe financial problems through reduced spending, increased efficiencies, etc that would effectively address these financial concerns without going into further debt and/or passing the State's financial burden onto municipalities; and

WHEREAS, Illinois municipalities are currently experiencing a tremendous decline in revenues during this great recession; and

WHEREAS, municipalities are in fiscal turmoil and unable to provide vital services to citizens including police, fire, streets, sewers and water; and to fill the potholes left by winter; and

WHEREAS, this reduction compounds on the state's late payments of Local Government Distributive Fund amounts to municipalities by four months causing shortfalls in meeting municipal bills; and

WHEREAS, local taxpayers deserve to have these tax dollars returned to their communities to pay for local community employees, to provide local community services and to not see local tax increases; and

WHEREAS, This cut comes at a time when local governments are trying to balance their budgets for the next fiscal year. The fiscal year of most municipalities begins on May 1. The governor's proposal would force them to re-evaluate an already dire budget situation without sufficient time to fill the gaps created by this cut; and

WHEREAS, local municipalities have made very difficult decisions to reduce funding for critical programs such as: police protection; downtown operations; park district operations, road maintenance, mosquito abatement, and more in order to have a balanced budget. If this change in funding is approved, we and other towns across the state will be forced to consider deeper cuts including the possibility of completely eliminating funding for critical local services; and

WHEREAS, the $300 million that would be cut from local governments will not do much to help solve our state's nearly $13 billion deficit. However, $300 million pulled away from local governments will be felt on Main Street. The re-allocation of these funds will impact personnel and services in localities all over the state. Local governments are at the core of the struggle during this recession and they are feeling the pain more than the governor acknowledges; and

WHEREAS, municipalities continue to challenge the State of Illinois put forth alternatives to further going into debt to pay off that do not further increase the deficit State of Illinois to address their budget shortfall adversely impacting the quality of life of Lake County residents; and

WHEREAS, the State of Illinois must stop attempting to balance its budget woes on the backs of others.

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Long Grove, Lake County, Illinois as follows:

SECTION 1: For all the forgoing reasons, the Village of Long Grove strenuously opposes any reduction of the Local Government Distributive Fund due municipalities and demands the 10% be kept whole.

SECTION 2: The Village of Long Grove requests every Senator and Representative to reject this or any diminution of desperately needed revenue due municipalities.

SECTION 3: Based upon the Illinois Municipal League (IML) estimate of $77 per person the state shared revenues for Income Tax account for $619,311 or 28% of total revenues of the Village's total revenues.

SECTION 4: The Village of Long Grove will be severely financially impacted by the proposed partial reduction in Income Tax shared revenues in the amount of $185,793 and will be forced to make further local budget cuts and reductions of services at a time when the Village is already cutting services to balance the books.

SECTION 5: The Village Clerk is hereby directed to send copies of this Resolution to Governor Quinn, the legislative leaders of both chambers of the Illinois General Assembly and members representing this municipality.

SECTION 6. This Resolution shall be in effect from and after its passage and approval in the manner provided by law.

PASSED THIS 12TH DAY OF APRIL, 2011.

AYES: (5) Trustees Acuna, Marshall, Schmitt, Wachs, and Weber

NAYS: (0)

ABSENT: (1) Trustee Barry

APPROVED THIS 12th DAY OF APRIL, 2011.

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Village President, Maria Rodriguez

ATTEST:

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Village Clerk, Karen Schultheis

Village of Long Grove Illinois

3110 RFD, ILLINOIS 60047-9613

April 19, 2011

Dear State Senator (Link) (Duffy)/State Representative (Sullivan):

I am writing to urge that you to vote "**No**" for any further the reductions of the municipalities' share of the state income tax (the Local Government Distributive Fund (LGDF) being considered by the Illinois legislature.

Municipalities have received 10% of the total income tax for many years and this has its roots in the 1970 Illinois constitution and when Governor Ogilvie instituted the income tax. This 10% share was not continued in the recent 2% increase of the state income tax. While that alone was an abrogation of the State/municipal compact of shared revenue, many of us understood the fiscal woes of the state and reluctantly accepted the decision.

As you know, the municipal share of state income tax is not a grant. Rather the State is simply the collector of the funds and is obligated under state law dating back to the 1970's to disburse the funds to Illinois municipalities. These are tax dollars paid by state residents with the expectation that our village will receive the money to pay for local services such as police; emergency management; road maintenance/snow removal; storm water management, etc.

The Village of Long Grove is a non-home rule community that does not levy a municipal property tax on our 8,025 residents but rather funds operations through user fees, sales taxes and shared revenues. At an estimated annual value of $615,919, these shared revenues make up more than 27% of the Village's $2.25M annual budget. If these funds are eliminated, the Village finances will be devastated and our only option will be to ask our residents to approve a property tax referendum to replace these funds or face further reductions in police protection, road maintenance, snow removal, public works projects and staff. In short, the residents will be asked to pay even more taxes, during what are already very difficult financial times, on top of the recent 67% state income tax increase simply to preserve their existing services.

Raiding these essential local revenues is not "sharing the pain", but rather passing the buck and increasing the taxes on Illinois residents and still not solving the State's self-created $13B deficit. You must vote against the State's taking any of these essential funds away from local governments.

Very truly yours,
Maria Rodriguez
Village President
Village of Long Grove

Village of Long Grove Illinois

May 9, 2011

Dear Long Grove Residents,

As I'm sure you all are aware, the State of Illinois is facing a financial crisis that they need to resolve by cutting their expenses and balancing the State's budget. I am writing to inform you that Governor Pat Quinn and House Speaker Michael Madigan are publicly working toward balancing the State's budget on the backs of all local governments, including Long Grove. Governor Quinn and Speaker Madigan are suggesting that local governments need to "share the sacrifice" by eliminating Income Tax Revenue to local governments (municipalities (cities and towns).

As we all have felt in our own budgets, the State approved a 67% Income Tax increase last year to increase States revenues. However, none of these increased revenues were passed along to local governments. Although we all are paying significantly higher Income Taxes to the State, the State remains in dire financial straits and is now proposing to further impact taxpayers by eliminating all of the Income Tax revenues that are distributed to local governments. This action would violate the commitment made by the State with taxpayers when they "sold" the Illinois Taxpayers on imposing the State Income Tax with "sharing" a percentage (10%) of the State Income Tax with local governments.

After months of deliberations, the Village of Long Grove recently approved a balanced budget ($2.3M total budget with a $60,000 surplus). While the Village was able to balance its' budget in very difficult financial times by further controlling and reducing expenditures, the State of Illinois is attempting to balance their budget on the backs of local governments by increasing their revenues through the elimination of our share of Income Tax revenues (your tax dollars) while still not resolving their financial crisis. If the State eliminates these revenues to local governments, the Village of Long Grove's budget would become unbalanced due to the immediate loss of $619,311 in revenues (28% of total Village revenues) and the Village would be forced by the State's actions to significantly reduce/eliminate expenses for critical services such as police protection, road maintenance (paving, patching, snow removal), etc.

Although, the Village Board has been proactively working with the surrounding communities to be informed, present a unified position and inform our State Representatives of the significant impact to Village finances and our strong opposition, Governor Quinn and House Speaker Madigan continue to publicly discuss the reduction of Income Tax Revenues to "share the pain". As a non-home rule municipality that has not levied a local property tax since incorporation in 1956, the Village of Long Grove would be forced by the State's actions to further reducing/eliminating critical services and/or go to our residents requesting approval of a local property tax to offset these revenues. The State efforts to balance their budget fails to address their problems and simply "passes the buck" onto the backs of local governments and the Taxpayers of Illinois. Due to the severe impact on our finances and ability to provide critical services for our Residents, the Village of Long Grove is asking for your support to immediately contact our local State Representatives opposing the State's reduction of shared revenues to local governments.

Please visit Village's Home Page (www.longgrove.net) for additional information on this issue. On behalf of the Village Board, thank you in advance for your assistance on this critical matter.

Sincerely,
Maria Rodriquez
Village President
Village of Long Grove

VILLAGE OF LONG GROVE, ILLINOIS
PRESS RELEASE

FOR IMMEDIATE RELEASE
April 20, 2011

CONTACT: Maria Rodriguez
847-571-1780

Village of Long Grove Strongly Opposes
Proposed Reduction to Municipal Governments Income Tax Revenue

Long Grove, IL – Gov. Quinn and various State Senators and Representative have made some alarming comments recently concerning income tax revenue shared by municipal, county and state governments. Municipalities have received 10% of the total income tax for many years and this has its roots in the 1970 Illinois constitution and when Governor Ogilvie instituted the income tax. This 10% share was not continued in the recent 2% increase of the state income tax. While that alone was an abrogation of the State/municipal compact of shared revenue, many of us understood the fiscal woes of the state and accepted the decision. We are now hearing very strong signals that the legislature will reduce or eliminate the original tax sharing arrangement. The signals are loud and clear from members of the house and senate who are using terms like "shared pain". The value of the income tax to municipalities is estimated by the Illinois municipal league at $76.75 per capita for 2011. The loss of this revenue will hurt all municipalities but arguably will be devastating for non-home rule communities.

As immediate past Chair of the Illinois Municipal League Legislative committee, I often heard from legislators in Springfield something like "I have not heard from my mayor so they must be OK with this legislation". Hard to argue with that. I urge you or your Mayor or President to communicate your position in regard to this issue to your legislators as soon as possible.

The state's budget proposal includes a $300 million cut to monies guaranteed to municipal governments under the Local Government Distributive Fund (LGDF). The discussions include proposal to eliminate or reduce the income tax that goes to local governments from 10 percent to 7 percent. This 30 percent slash in local tax revenue will undoubtedly increase the burden that municipalities are already feeling during this recession.

This cut comes at a time when local governments are trying to balance their budgets for the next fiscal year. The fiscal year of most municipalities begins on May 1. The governor's proposal would force them to re-evaluate an already dire budget situation without sufficient time to fill the gaps created by this cut.

The $300 million that would be cut from local governments will not do much to help solve our state's nearly $13 billion deficit. However, $300 million pulled away from local governments will be felt on Main Street. The re-allocation of these funds will impact personnel and services in localities all over the state. Local governments are at the core of the struggle during this recession and they are feeling the pain more than the governor acknowledges.

The governor's remarks Wednesday came after he made a pledge at the Illinois Municipal League's Annual Conference in September guaranteeing municipalities 10 percent of current tax revenue and

10percent of any additional tax revenue created from a tax increase. Pending a tax increase, this would have resulted in a growth of the funds distributed to municipal governments under LGDF. Gov. Quinn has now backtracked on his promise and wants to strip local governments of these funds. The governor's budget proposal must be approved by both the House and Senate in the Illinois General Assembly before becoming law.

In response to the proposal, Long Grove Village President Maria Rodriguez stated, "This proposal means that our small town alone would lose more than $155,000 dollars a year, or approximately 7% of our total annual budget, at a time when we are already cutting services to balance the books. This kind of theft by the state of funds it owes our local communities is simply unacceptable.

Rodriguez continued, "We and many other local communities have made very difficult decisions to reduce funding for critical programs such as: police protection; downtown operations; park district operations, road maintenance, mosquito abatement, and more in order to have a balanced budget. If this change in funding is approved, we and other towns across the state will be forced to consider deeper cuts including the possibility of completely eliminating funding for critical local services.

Right now the state is four months behind in distributing the State Income & Sales Tax payments to municipalities and are owed more than $164,000 in sales taxes collected in our community. The state must stop attempting to balance its budget woes on the backs of others."

To interview Maria Rodriguez, call 847-571-1780.

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