Gov. Quinn Proposes Diversion of Money Away from Local Governments

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Following the state legislature's attempt last spring to withhold state income taxes from local governments, another proposal may be taken up during the Fall Veto Session to divert money away from local governments. Governor Quinn has proposed that money from the Corporate Personal Property Replacement Tax (CPPRT) be diverted from local governments to state needs.

In particular, the diversion is proposed to restore funding for the salaries of regional superintendents of education (approximately $11 million). You may recall that Governor Quinn vetoed $376 million from the FY2012 budget, which included the regional superintendents.

Similar to the Local Government Distributive Fund (LGDF) for income taxes, this is another case of the state attempting to take money that is not theirs. CPPRT taxes are collected by the state on behalf of local governments. The revenue is used to replace money that was lost by local governments when their powers were removed to impose personal property taxes on corporations, partnerships, and other business entities. This revenue stream was created when the new Illinois Constitution directed the legislature to abolish business personal property taxes and replace the revenue lost by local government units and school districts. In 1979, a law was enacted to provide for statewide taxes to replace the monies lost to local governments.

Annual revenue raised by CPPRT taxes over the past several years has varied from $1-$1.5 billion per year. The IML estimates that CPPRT revenue during the current year is $1.05 billion. Municipal governments receive 20% of CPPRT money on a statewide basis (schools get 60% and other local governments get the remaining 20%).

The IML remains opposed to diversions from state-collected local government revenues - including CPPRT. Rather than diverting the CPPRT to cover the salaries of regional superintendents, legislators could override the Governor's veto and restore the spending authority to cover the salaries. This is probably the route that the General Assembly should consider rather than permitting municipal money to be used for the salaries of non-municipal officials as a result of the Governor electing not to cover the salaries with state money. Or the legislature could find cuts elsewhere in the state government to fund the salaries.

Stay tuned during the Veto Session and please do not hesitate to contact your legislators if this proposal is introduced in the legislature.

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