# <u>Item: 6B</u>:

## Village President Rodriguez

State Of Illinois Proposed Reduction In Income Tax Revenue

03/07/13

**David Lothspeich**

**From:** IML Legislation [IMLLegislation@iml.org]
**Sent:** Thursday, March 07, 2013 12:01 PM
**Subject:** Illinois Municipal League Statehouse Briefing - March 7, 2013

# IML Statehouse Briefing

ILLINOIS MUNICIPAL LEAGUE
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**On the ground news and insider information!** **March 7, 2013**

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## ACTION ALERT

**IT'S ON!** Local Government Income Tax Revenue Targeted for Reduction

The IML has learned that the Governor's Office is **proposing to reduce LGDF (state-shared income tax) revenue by $240 million**. We have also learned that some legislators are supporting the use of LGDF revenue to address the state's fiscal woes. To calculate the financial impact to your community, multiply your population by $18.70. The **IML STRONGLY urges that you contact your legislators IMMEDIATELY** in opposition to this proposed local revenue reduction. The IML will provide additional information as events develop.

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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

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
# 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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