



April 20, 2021

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Illinois Municipalities Fight to Restore Local Funding

Taking local revenue hurts homeowners

Municipalities across Illinois are calling on Governor J.B. Pritzker and state lawmakers to resist taking local revenue that belongs to cities and villages and to restore the funding to previous levels that had been promised.

Following the defeat of the Fair Tax, Governor Pritzker revealed plans earlier this year to cut another 10 percent of local revenue, or \$152 million belonging to Illinois municipalities, to fill state budget shortfalls.

But Illinois municipalities can ill afford additional revenue losses while they struggle to balance their own budgets and provide essential services for residents.

At stake is the annual \$1.2 billion Local Government Distributive Fund (LGDF), generated from income taxes paid by local residents and businesses and collected by the State before distributing it back to municipalities. From the inception of the income tax in 1969, the State promised 10 percent of total income tax collections to municipalities on a per capita basis through the LGDF in lieu of a local income tax.

“Municipalities depend on LGDF dollars to lessen the burden on homeowners who pay property taxes while keeping municipalities operating and providing basic services,” said Hazel Crest Village President Vernard Alsberry, Jr., Past President of the South Suburban Mayors and Managers Association (SSMMA), which serves 45 communities. “Illinoisans pay among the highest property taxes in the nation and cannot afford further increases during these challenging and uncertain times.”

In recent years, the state has reduced the LGDF share to municipalities from 10 to 6.06 percent. Now, the State is looking to take an additional 10 percent on top of that this year, which would make local governments even more reliant on property taxes.

Chicago Mayor Lori E. Lightfoot, who serves as the First Vice Chairman of the Metropolitan Mayors Caucus, is also urging Springfield to restore LGDF dollars.

“Even as the pandemic takes a toll on our local economy, the revenue LGDF gets each year is continuing to trend downward,” she said. “Every dollar that gets cut from LGDF means an increased financial burden on our residents and taxpayers at the worst possible time. Our residents need relief from Springfield, not more burdens. It is high time to see Springfield act to prevent further strain on our city’s taxpayers. Time for Springfield to listen.”

“Cities and villages have been challenged to balance budgets but have done so by living within their means, making sacrifices, cutting services and doing more with less,” said Highland Park Mayor Nancy Rotering, the incoming President of the Northwest Municipal Conference, which represents 43 municipalities. “It’s time the State does the same, instead of playing this shell game with taxpayers and shifting the burden onto local governments and taxpayers. The math doesn’t add up and it’s the cities and villages on the short-end every time.”

In addition to protection against further cuts, Illinois mayors are calling on Springfield lawmakers to pass legislation that would gradually restore LGDF payments to 10 percent. State Rep. Anthony DeLuca (D-Chicago Heights) and State Sen. Donald DeWitte (R-St. Charles) have been proponents of such proposals.

“As a former mayor, I understand what Illinois municipalities are up against, serving on the front lines and providing essential services to their communities,” DeLuca said. “LGDF funding operates as a financial lifeline to our communities and restoring it to the 10 percent level helps not only to hold the line on taxes but also could provide property tax relief for residents.”

“I have spent close to three years in the Illinois Senate working to get LGDF funding back up to 100% where it belongs,” said State Senator Donald DeWitte (R-St. Charles). “These LGDF dollars are municipal funds. They are not overflow funds that can be used to fill state budget gaps. Our municipalities are struggling, and they rely on LGDF funds to balance their own budgets.”

“Passing this bipartisan legislation will make local governments less reliant on homeowners to fund front-line services,” said Frank Trilla, Mayor of Willowbrook and President of the 35-municipal member DuPage Mayors and Managers Conference (DMMC). “It would go a long way in helping to control and rein in property taxes while bringing a measure of sorely needed stability to the local budgeting process for our towns without having to wonder every year if the state will take more revenue from us.”

“We have a unique opportunity to rebuild our economy and our communities in a post-Covid world,” said Palos Hills Mayor Gerald Bennett, President of the Southwest Conference of Mayors, representing 21 municipalities. “Now is the time to press the reset button and restore LGDF funding so municipalities can begin to reduce the property tax burden for our residents and have the ability to invest in creating economic development, improving our infrastructure, stabilizing our pension system and implementing public safety reforms.”

LGDF accounts for sizeable portions of a municipality's operating budget – in some cases between 10 to 20 percent – which can amount to millions of dollars annually. LGDF revenue is dedicated for essential services, such as police and fire, road repairs and maintenance, garbage collection, and storm water and flooding prevention.

“LGDF is money that comes from our individual municipalities and has been generated by local residents. It legally belongs to our communities – not as a bailout for state government,” said Bartlett Mayor Kevin Wallace, who serves as Chairman of the Metropolitan Mayors Caucus that represents 275 municipalities in the Chicago metro area. “LGDF guarantees municipalities a share of state income tax receipts to help fund local and essential services.”

The mayors noted that municipalities with fewer revenue sources, such as retail businesses with higher equalized assessed values on property suffer the most and will be forced to explore increasing property taxes or cutting services amid further LDGF reductions.

In addition to the cuts to LGDF over the years, the mayors noted that the State has also reduced their share of the personal property replacement tax and increased sales tax collection fees. Meanwhile, municipalities have had to fund skyrocketing pension costs, which account for substantial budget increases each year.

“These are unfunded mandates that municipalities get socked with having to pay without assistance or additional revenue to pay for them,” said City of Geneva Mayor Kevin Burns, President of the Metro West Council of Government serving 33 municipalities. “We ask again that our friends in Springfield consider the consequences at the municipal level.”

“A 10 percent cut right now would cause more problems than it would solve,” said Donny Schmit, Mayor of Fox Lake and President of the Lake County Municipal League (LCML). “Diverting tax revenues back to the State is like robbing Peter to pay Paul because the same taxpayers support government on both levels. The State should take advantage of federal aid coming to the State and view it as an opportunity to fix this problem once and for all.”

Although the Governor announced that ending corporate tax loopholes would offset losses in LGDF, mayors remain skeptical, believing that the State should leave LGDF dollars alone and focus on restoring the funding to its original level.

Nevertheless, the mayors remain hopeful that Springfield will listen to their concerns and make the right decision, noting that lawmakers took a significant step last year by reversing a 5 percent cut to LGDF made in the previous year.

“Our goal is to work closely and constructively with the Governor and members of the General Assembly to make our communities stronger, especially after enduring the hardships associated with the pandemic,” said Cary Mayor Mark Kownick, who also serves as *Vice President of the McHenry County Council of Governments*, which includes 26 member municipalities. “We understand that the State is facing significant challenges as well, but prioritizing critical services and lessening the property tax burden in our communities will go a long way toward re-positioning our municipalities and the State for a brighter future.”