



## The State wants to take local dollars from Illinois cities, towns and villages to pay its bills!

Mayors across Illinois are urging Governor Pritzker and the Illinois General Assembly to resist taking more local revenue – called the **Local Government Distributive Fund** (LGDF) – from Illinois municipalities to fill the State's budget hole.

From the inception of the Illinois' income tax in 1969 until 2011, state government traditionally returned 10% of the money collected from our cities, towns and villages on a per capita basis in lieu of a local income tax.

Local community LGDF dollars that return have been crucial in helping municipalities manage finances, especially when it comes to holding the line on rising property taxes.



But in recent years, state government has neglected its obligation by failing to pay its fair share, reducing LGDF revenue that our municipalities receive from 10% to just 6.06%.



Now, the State is considering taking even more of our local LGDF dollars when municipalities are struggling to recover economically and socially from the COVID crisis and the closed economy.



The more the State fails to deliver on its promise, the more municipalities must rely on property taxes to make up for losses, shifting more of the tax burden onto the backs of local governments and their taxpayers.



# Illinois municipalities need the General Assembly to permanently restore LGDF to its intended 10 percent rate.

# 10%

## CUTS HURT OUR COMMUNITIES AND RESIDENTS:

LGDF accounts for a sizeable portion (between 10 to 20 percent) of a municipality's operating budget, which can amount to millions of dollars annually. The loss of LGDF revenue during the pandemic when municipal budgets are already significantly challenged will make it difficult to operate in the near term and recover in the long term.

LGDF revenue is allocated for essential services, such as police and fire, road repairs and maintenance, garbage collection, storm water maintenance and flooding prevention, and snowplowing. Reductions in LGDF:

- » Force municipalities to make up for the losses, putting more dependence on property taxes.
- » Risk eliminating, delaying or reducing capital projects vital to economic recovery.
- » Fail to provide a structural solution as it merely shifts the costs from the state to municipalities.

## COMMUNITIES HAVE ACTED RESPONSIBLY DURING CHALLENGING TIMES

For years, municipalities have struggled with rising costs and unfunded mandates, made tough financial sacrifices and exercised fiscal discipline to balance their budgets.

- » The fiscal impacts of COVID-19 mitigations and business interruptions resulted in significant losses in sales and income tax revenue for many of our communities.
- » Illinois municipalities are required to pay more for the skyrocketing costs of public-safety pensions, which are funded at only 55 percent, a 20 percent drop from 20 years ago, despite towns continually putting more money into them.
- » When the state raised income taxes in 2011, not only did the State hold back from giving municipalities any of the increased revenue, but the local percentage share of state income tax revenue actually declined from 10% to 6.06%.

## DON'T CUT; RESTORE LGDF TO INTENDED LEVELS:

Legislation has been introduced in the General Assembly that would restore LGDF payments to local communities back up to 10%. The legislation would:

- » Establish a schedule to gradually restore LGDF payments to their 10% levels by 2025.
- » Lessen the reliance on homeowners paying property taxes for municipal operating budgets and basic services.

**Supported by:** DuPage Mayors and Managers Conference, Lake County Municipal League, McHenry County Council of Governments, Metropolitan Mayors Caucus, Metro West Council of Government, Northwest Municipal Conference, South Suburban Mayors and Managers Association, Southwest Conference of Mayors, West Central Municipal Conference and Will County Governmental League.