

**VILLAGE OF DOWNERS GROVE**  
**REPORT FOR THE VILLAGE COUNCIL MEETING**  
**MAY 10, 2011 AGENDA**

<b>SUBJECT:</b>	<b>TYPE:</b>	<b>SUBMITTED BY:</b>
Resolution Opposing State Collected Revenues Due to Municipalities	✓ Resolution Ordinance Motion Discussion Only	Michael Baker Deputy Village Manager

**SYNOPSIS**

A resolution has been prepared stating opposition to any action taken by the Illinois General Assembly that would further reduce state collected revenues.

**STRATEGIC PLAN ALIGNMENT**

The Goals for 2011 to 2018 identified *Exceptional Municipal Services*.

**FISCAL IMPACT**

The FY11 budget includes \$3.5 million of income tax revenue. Action taken by the General Assembly could reduce all or a portion of this source of revenue, significantly impacting the Village's ability to provide basic services. One of the proposals, which eliminates \$300 million from the Local Government Distributive Fund, would reduce the amount of annual revenue to the Village of Downers Grove by approximately \$1,150,000.

**RECOMMENDATION**

Approval on the May 10, 2011 consent agenda.

**BACKGROUND**

The State of Illinois maintains a Local Government Distributive Fund (LGDF) for the purpose of collecting and disbursing a portion of income tax revenue to municipalities. The collection of income tax in Illinois was initiated in 1969 under Governor Richard Ogilvie and it was agreed at the time that a portion was to be provided to municipalities in lieu of cities and villages taking steps to enact local income taxes. Earlier this year, the state increased the individual and corporate income tax rates, however, none of this increase was provided to municipalities. Effectively, the percentage of total income tax collections that municipalities receive was reduced from 10% to 6% as a result of this action. In recent years, the state has also withheld up to 6 months of income tax payments, negatively affecting the Village's cashflow.

In order to address the state's fiscal challenges, proposals have been offered that would eliminate all or a portion of the income tax revenue due to municipalities. The resolution presented for consideration is one step that the Village can take to formally voice opposition to any such action. In addition, the Village has also actively relied on its lobbyist, Nicolay & Dart, to assist on the Village's behalf and letters have been sent to all members of the General Assembly.

**ATTACHMENTS**

Resolution

Letter sent to members of the General Assembly by Mayor Sandack

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OPPOSING REDUCTION OF STATE COLLECTED  
REVENUES DUE MUNICIPALITIES**

WHEREAS, all Illinois municipalities provide direct frontline services to their citizens; and

WHEREAS, these services have an immediate and fundamental reality to those citizens who depend on local police and fire protection, water and sewer service, snow removal, roads and traffic safety; and

WHEREAS, local citizens pay income taxes to the State for both the State budget and local municipal budgets and the revenue is collected by the State; and

WHEREAS, since the inception of the State income tax in 1969, municipalities have received, relied upon and provided services with those revenues to their local taxpaying citizens; and

WHEREAS, the fiscal reality is that municipalities have already experienced less income tax revenues from the State; and

WHEREAS, the recent income tax increase provided new revenues all of which went to the State budget – NONE OF THE INCREASE WAS RECEIVED BY CITIES – costing over \$2.7 billion in future lost revenues; and

WHEREAS, the State, through its Legislature and Governor, is contemplating further reductions to municipal revenues; and

WHEREAS one proposal under discussion would take an additional \$300,000,000.00 of State-collected income tax from cities and counties, which would reduce their revenues by \$23.40 per capita; and

NOW THEREFORE BE IT RESOLVED that the Village of Downers Grove cannot preserve current service levels with this significant loss of income tax revenue, and will be forced to undertake further service cutbacks above and beyond the over \$8 million of expenses reductions that have been made over the past two years.

BE IT FURTHER RESOLVED that the Village of Downers Grove strongly opposes further reduction in state collected revenues and demands that the General Assembly and Governor take NO FURTHER ACTION TO FINANCIALLY HARM MUNICIPALITIES.

\_\_\_\_\_  
Mayor

Passed:

Published:

Attest: \_\_\_\_\_  
Village Clerk



OFFICE OF THE MAYOR  
RON SANDACK

---

April 20, 2011

**Please do not support any changes to the Local Government Distributive Fund that will adversely impact the income tax revenue currently committed to fund local government.**

Dear Senator:

On behalf of the Village of Downers Grove, I strongly urge that you do not support any action that would have the effect of reducing the income tax revenue currently being received by local government. Municipalities have experienced an unprecedented decline in revenue over the past two years, and the impact of further reduction would be severe, resulting in further job loss and elimination of basic services.

For the 2010 fiscal year, the Village will receive \$3.8 million in income tax revenue. This amount is **17% less** than the \$4.6 million the Village received in 2008. As a result of this and other declining revenues, **the Village has already been required to implement substantial cost cutting measures**, which have included the following:

- Elimination of Village's DARE Program conducted by the Police Department in local schools.
- Elimination of the Village's Counseling and Social Services Department, which provided counseling and referral services on a no-charge or discounted basis.
- Cutbacks to Village-sponsored community events, including the 2010 Heritage Festival and Pro-Criterion Cycling Races.
- Elimination of 11.75 full-time equivalent (FTE) staff positions in the FY2011 budget, bringing total Village staffing down to 329 FTE from a high of 375 FTE in FY2008.

Under the current law, 6% of income taxes are distributed to municipalities and counties. The other 94% is retained by the state. The 6% that is sent to local government is vital to support basic operating budgets. If the municipal share of income tax revenue was to be further reduced by the action of the General Assembly, the Village of Downers Grove would be forced to implement further reductions that impact staffing and service delivery to the residents of this community.

Just as the state is facing an ongoing budget crisis, communities have had to make tough choices to balance their budgets. Layoffs of workers, wage freezes, and furlough days, reduction of infrastructure maintenance programs as well as increases in sales and property taxes and fees have already occurred in most Illinois communities.

As a voice for the nearly 50,000 taxpayers of Downers Grove, I urge you to protect local governments from further harm by resisting any reduction to the local government portion of the income tax.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Sandack", written over a light gray rectangular background.

Ron Sandack  
Mayor

801 Burlington Ave.  
Downers Grove, Illinois 60515-4776  
630.434.5525  
E-mail: rsandack@downers.us