

May 27, 2011

Leaders stress importance of state-shared revenues

■ *Board chairs in Tazewell, McLean Counties request that Gov. Quinn, Legislature leave critical local government revenue source intact.*

The Chairmen of the County Boards in Tazewell and McLean Counties are appealing on behalf of their counties to Governor Pat Quinn and the Illinois legislature not to balance the State budget by reducing income tax payments to local governments or stopping them altogether. The chairmen represent two of the 15 largest counties in Illinois.

Gov. Quinn has suggested stopping local government revenue sharing through the end of the year if the legislature doesn't approve a borrowing plan to pay the state's bills. Other proposals to reduce the local share of income tax revenue by \$300 million statewide have also been discussed by the legislature.

Tazewell County's Fiscal Year 2011 budget includes \$1.95 million in General Fund revenue, or 8.6 percent of its \$22.57 budgeted General Fund revenue, from state income tax payments, while McLean County has \$2.95 million budgeted in income tax revenue for this fiscal year.

Local governments experienced declines in state-shared revenue during the recession. For example, Tazewell County had \$2.38 million in income tax revenue during Fiscal year 2008 before declining sharply to \$2 million in Fiscal Year 2009. To reduce local governments' share or to stop making critical state-shared revenue payments now would be a nasty blow to cities and counties across the state. Though the State has recently made several income tax payments to counties, it remains several months behind in payments. Tazewell County is owed \$498,885 for February, March and April, while McLean County is owed approximately \$600,000.

-more-

Leaders stress importance of state-shared revenues

Page 2

Cities and counties, prior to the State Income Tax increase that went into effect in January, received 10 percent of proceeds, which are distributed on a per capita basis. Simultaneous with the tax increase, local governments' share was reduced to 6 percent. It is unknown at this point the impact the income tax increase will have on this revenue source.

"It is important for taxpayers to know that local governments are not sharing in the increased income tax proceeds," said Tazewell County Board Chairman David Zimmerman. "Cities and counties here in the heart of Illinois count on these revenues to provide essential services."

Added McLean County Board Chairman Matt Sorensen, "Every county's hands are tied because we are creatures of the state and have no home rule authority. On top of that, every year the State adds costly mandates to our required duties. The final insult is that they want to keep more of our citizens dollars in Springfield and return far less of our money to our own communities."

"Reducing or further delaying payments to cities and counties will have extremely negative impacts on local governments because we use the funds to provide core services like law enforcement and to subsidize state functions like probation and the courts," said Tazewell County's Zimmerman. "Local communities like Tazewell and McLean Counties have managed their budgets carefully during the Great Recession. To reduce, delay or halt income tax payments may temporarily help the State's cash flow, but it will create hundreds of budget crises at the local level. We have been discussing this with our legislators and are reaching out to the legislature and the Governor as they wrap up the legislative session to request they find a different way to address the State's financial problems."

Officials indicated that reductions in state-shared revenues will result in local budget cuts, tax increases, or a combination of both.