

INVEST IN COMMUNITIES

FREQUENTLY ASKED QUESTIONS

WHAT ABOUT CANNABIS AND VIDEO GAMING REVENUES?

Video gaming and local cannabis taxes are not collected by all local governments, and total only a negligible fraction of the 40% loss of LGDF over the last decade. Municipal FY22 Cannabis Use Tax revenues equaled approximately **1%** of FY22 LGDF revenue. Furthermore, compared to cannabis and gaming revenues, LGDF follows a stable, predictable growth pattern based on population and income rather than markets with limited opportunities to sustainably grow the customer base long term.

HASN'T LGDF INCREASED 50% SINCE 2019?

The percentage of income tax revenue allocated to LGDF has remained steady around 6% since FY18, decreased from about 8% in FY16 and FY17 even as the state increased the income tax rate that same year. As a percentage of income tax revenue, a 50% increase in LGDF since 2019 mirrors a 50% increase in overall income tax revenues, of which the state is already taking a larger portion than ever before. Though the dollar value of LGDF has increased over the past 5 years, so have equipment and personnel costs, on top of additional state mandates such as lead service line replacement, police body cameras, and public pension obligations.

WHAT ABOUT INTERNET SALES TAXES?

Internet sales tax is not a new, untapped source of revenue for local governments, but a restoration of lost revenues that were in decline for years as internet retailers and marketplaces increased their market share at the expense of local retailers and municipalities. The Leveling the Playing Field for Illinois Retail Act addressed this imbalance to ensure that the collection of sales tax would not be a competitive disadvantage on brick-and-mortar businesses. Recent increases in municipal & state sales tax revenue must be considered in the context of prior declines.

WHAT ABOUT MUNICIPAL BUDGET SURPLUSES?

One-time federal COVID stimulus funds, which also continue to support the state budget, have yet to be fully obligated in some county and municipal budgets, giving the appearance of surpluses when combined with other higher-than-projected revenues. Local leaders across the state have prioritized the thoughtful and fiscally responsible investment of these one-time funds in programs to meet community needs and complete overdue infrastructure and capital projects. Sustainable revenue sources are still needed to maintain and grow these essential investments.

WHAT ABOUT PROPERTY TAXES?

In Illinois, 60-80% of property taxes go to school districts, while municipal and fire protection levies make up only a small portion, around 7-20% in total. Any change in municipal property tax levies will have a substantial impact on municipal budgets but a negligible impact on property tax bills. As municipal costs continue to rise, the restoration of LGDF will reduce pressure on local officials to cut services or turn to property taxes and other revenues to maintain balanced budgets and fulfill statutory obligations to fund lead service line replacement, pensions, & other state mandates.

WHY ARE LOCAL GOVERNMENT COSTS RISING?

State and local officials know that increased investments in lead service lines, aging water and transportation systems, and police body cameras are necessary for the health & safety of Illinois residents. At the same time, national and global supply chain challenges are causing delays and increased costs for vehicle and equipment replacements as well as capital and infrastructure projects. Local governments also face a pension crisis as the 2040 amortization date approaches for downstate police and fire pensions. Revenues must grow to match these urgent needs. Direct funding through LGDF will bring immediate relief to communities statewide, especially non-home rule municipalities with limited options to increase revenues.

HOW MUCH WILL IT COST?

Restoring the Local Government Distributive Fund to **8%** of income tax receipts is projected to provide approximately **\$500 million** in investments in local governments, based on FY22 revenue. Restoring the Local Government Distributive Fund to **10%** would provide approximately **\$1 billion** in community investments.



For more information and to view community fact sheets for 65 municipalities, visit InvestInCommunities.org.
