

State of Illinois
Governor Rauner's Budget Address

Impact on the
Village of Hoffman Estates

March 12, 2015

Village Revenues from Springfield

Revenues received by municipalities:

- 8% of the current State Income Tax
- Approximately 1% of Sales Taxes generated within each municipality
- A portion of the Motor Fuel Tax
- Local Use Tax/Replacement Tax

Village share:

- Income Tax - \$5 million
- Sales Taxes - \$8 million
- Motor Fuel Tax - \$1.2 million
- Local Use Tax/Replacement Tax - \$1.2 million

All of these dollars are Village dollars. These dollars are not state revenues nor intended to offset state spending. These dollars are (and always have been) collected by the State on behalf of the local municipalities.

Local Share of the Income Tax

- “Local Share” has been presented by the Governor as a new revenue source for the State by reducing the amount distributed to Local Governments by 50%.
- “Local Share” is the Local Government Distributive Fund (LGDF) that was established by agreement in 1969 when the State implemented an income tax. This was in lieu of municipalities levying their own income tax.
- The Governor now wants to unilaterally break this long standing agreement and take the local share for the State’s use.
- The Governor’s proposal to reduce the LGDF by 50% is estimated to cost the Village \$2.6 million.

THESE FUNDS BELONG TO THE VILLAGE, WHICH FUND THE DELIVERY OF LOCAL SERVICES TO OUR RESIDENTS AND BUSINESSES

Local Share of the Income Tax

What does \$2.6 million look like? Any *one* of the following:

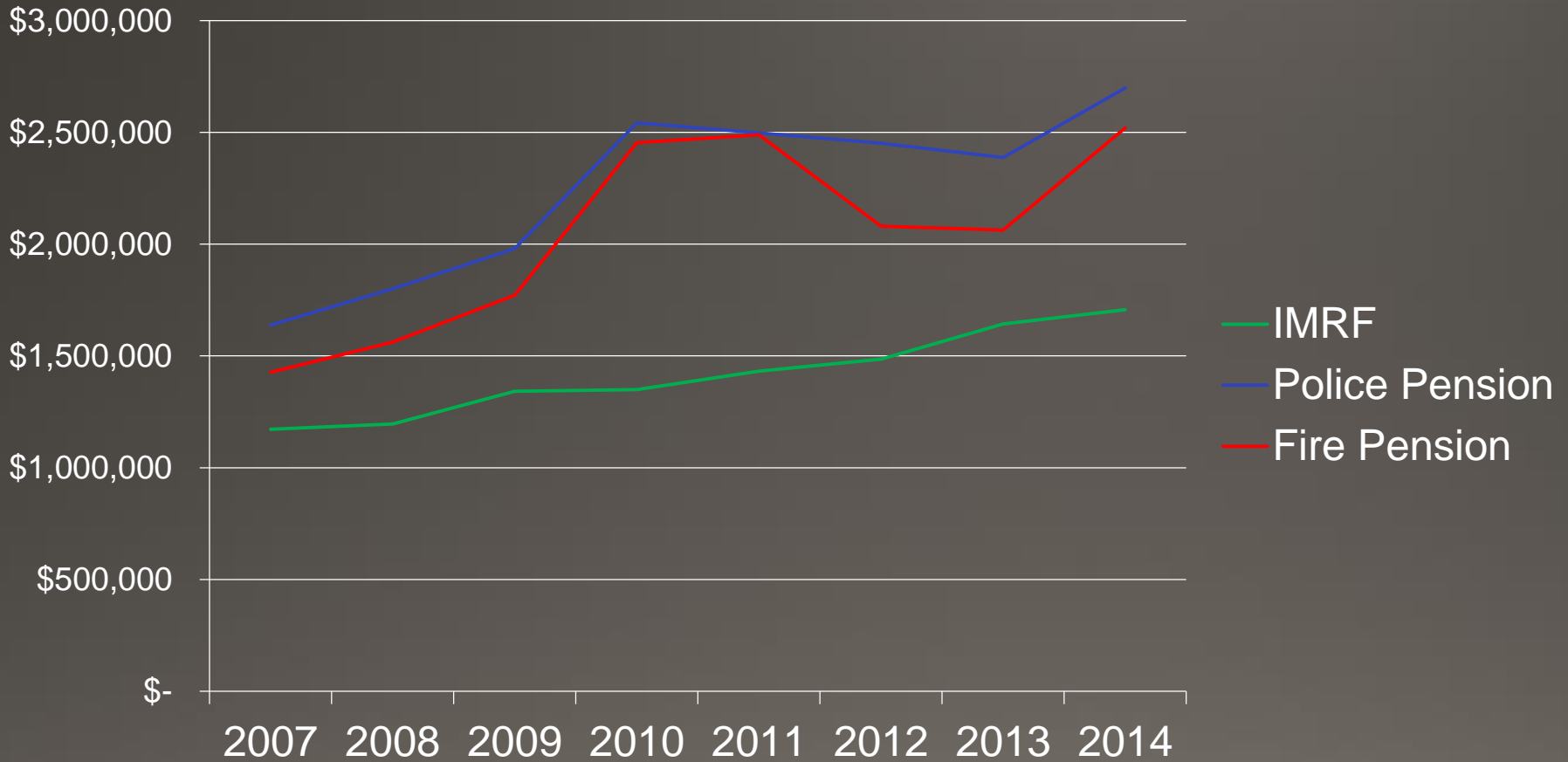
- Revenues
 - 23% increase in Corporate property taxes (from \$11,264,510 to \$13,864,510)
 - 31% increase in local sales tax rate (from \$8,257,000 to \$10,857,000)
- Expenditures
 - 26 police officers (25% of staff)
 - 26 firefighters (26% of staff)
 - 80% of public works General Fund staff (almost 30 positions)
 - 53% of Village Hall staff (37 positions)

THIS COULD SIGNIFICANTLY IMPACT DELIVERY OF LOCAL SERVICES OR TAX RATES TO OUR RESIDENTS AND BUSINESSES

“Sharing in the Pain”

- The popular response to “justify” the cuts is to say we all need to “share in the pain”.
- We have shared in the pain since 2008. We made the difficult decisions while Springfield did not.
- The truth is, we are being asked to shoulder the burden of the State’s poor fiscal management and inability to implement appropriate reforms by the State legislature.
- The State has provided virtually no relief for mandates or pension reform.

Village Pension Contributions 2007 - 2014

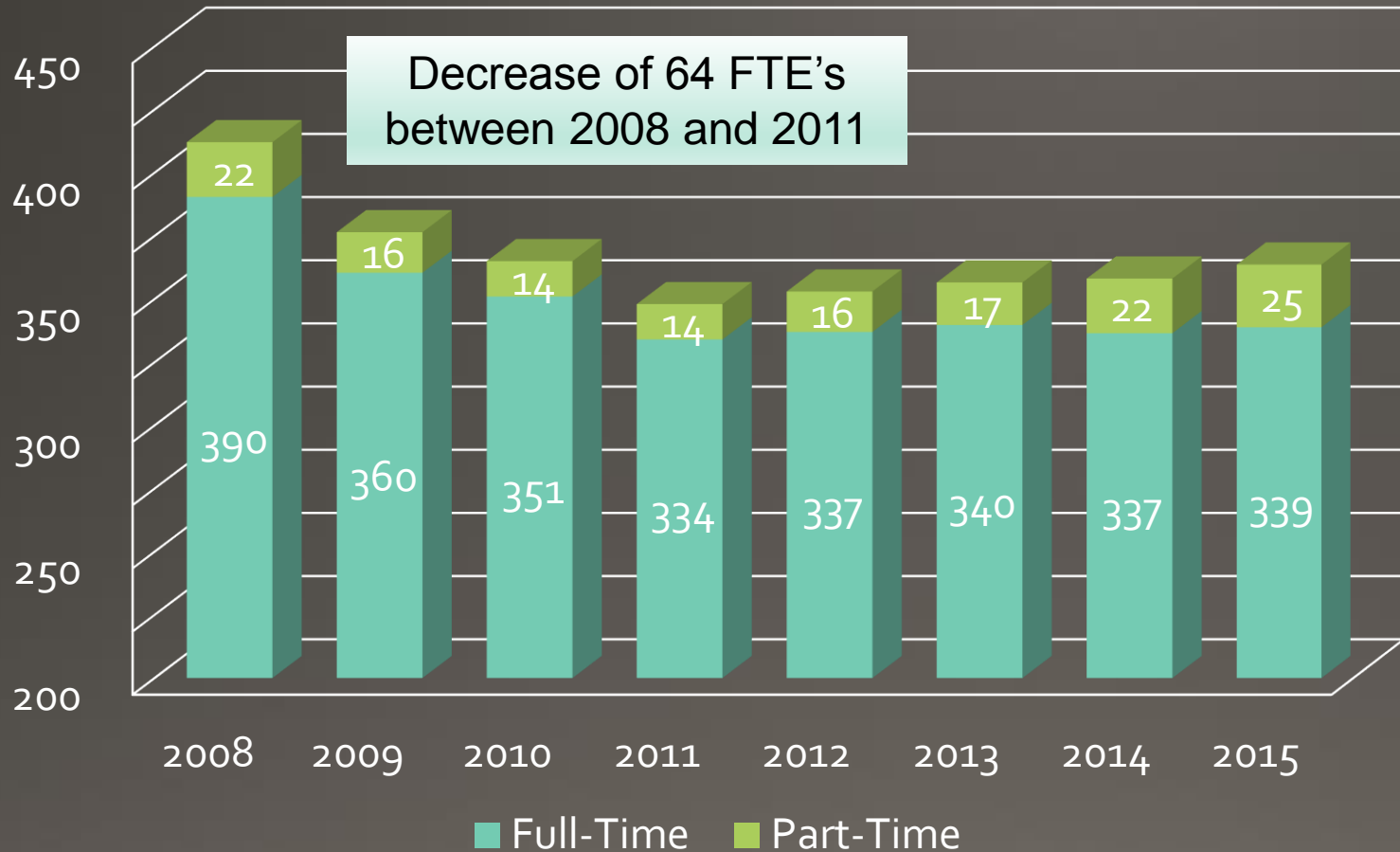


Fire Increase = 77%

Police Increase = 65%

IMRF Increase = 46%

Historical Staffing Levels



EMPLOYEE COUNT DROPS WHILE PENSION COSTS RISE – REFORM IS ABSOLUTELY NECESSARY

Ongoing Hurdles:

- Lack of significant and meaningful pension reform – now Governor proposes no change to public safety pensions, which carry the largest liability of all work groups.
 - In last 7 years, increase in employer pension contributions:
 - Fire 77%
 - Police 65%
 - IMRF 46%
- Lack of significant and meaningful workers compensation reform
- Lack of mandate relief
- Annual threats to “Local Share”

Operating Expenditures by Function



Public Safety
61.7%



Public Works
16.1%



Support, Debt, etc.
22.2%

**77.8% OF COSTS ARE PUBLIC SAFETY/PUBLIC WORKS.
REDUCTIONS WILL IMPACT CORE SERVICES**

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