

Slowik: Schools win more funding, but state budget makes losers of municipalities

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Sometimes the state of Illinois gives money to local towns, and sometimes the state takes it away.

Schools may feel like the state is in a generous mood, while municipal officials in the Southland might think Illinois is being downright stingy.

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For example, the state is taking a bite out of local sales taxes collected by many towns. Last summer, as part the deal to end the two-year budget impasse, the state began charging a 2 percent fee to collect locally imposed sales taxes higher than the state's standard rate of 6.25 percent.

The Illinois Department of Revenue estimated the new fee would generate \$60 million in revenue for the state this year.

Many municipalities are now setting their budgets for the next fiscal year, and some towns are adjusting their spending to account for the decline in revenues.

"This only applies to our home-rule sales tax," Orland Park Village Manager Joe La Margo told me. "We collect about \$10 million a year, so 2 percent is \$200,000."

Orland Park is a retail mecca of the Southland. Cash registers ring up sales with greater frequency than in most other south suburbs. Still, every town that relies on the sales tax revenue feels the impact of the new collection fee.

"The village collects approximately \$1,100,000 in local sales tax," said Arlette Frye, treasurer for the village of Lansing. "The 2 percent collection allowance would reduce that by \$22,000. In a time of reducing revenue streams, increased federal and state mandates and increased costs, this is a significant reduction."

John Murphey, village attorney for Dolton, said the impact would be similar in that village.

"Sales taxes account for only 10 percent of total revenue," he said.

As they set their budgets, local officials are looking for ways to absorb the hit without cutting services or staff positions.

"We've luckily not had to reduce services," said Kurt Carroll, village manager of New Lenox. The village expects the collection fee will cost it about \$160,000 this year, he said.

Soon after the General Assembly overrode Gov. Bruce Rauner's veto and approved the budget last year, state Rep. Anthony DeLuca, D-Chicago Heights, introduced legislation to reduce the collection fee to 1 percent from 2 percent. The measure is widely supported by Southland municipalities.

"We prefer nothing, but 1 percent is better than 2 percent," Carroll said.

"Reducing it to 1 percent would give us about \$100,000 more," La Margo said. "We'd like to see the fee reduced or eliminated completely. Any time we can keep the money we've earned in the local community, that's a good thing."

DeLuca's measure is House Bill 4101.

"Some folks in Springfield haven't been too friendly to municipalities," DeLuca told me Tuesday.

With the state Legislature now into the crucial budget-making month of May, DuLuca said he's received verbal assurances that the collection fee will be lowered to 1 percent next year. His bill, however, won't be called out of the House Rules Committee, he said.

"After working on this all session, the determination has been made by leadership and the Revenue and Finance Committee that this will not move forward in bill form, but it will be part of the budget-making process," DeLuca told me.

HB 4101 has bipartisan support. State Rep. Margo McDermed, R-Mokena, is among the chief cosponsors. She told me leaders in towns she represents have registered their complaints about the changes.

"When you make your budget, you need to know what you're able to count on," she said. Uncertainty over state funding levels hinders local fiscal planning she added.

Plus, municipal leaders feel like the state took something away from them, she said.

"For the state to pull a fast one like this, it was not well-received," McDermed said.

DeLuca chairs the House Cities and Villages Committee, so he hears from municipal leaders not only in the Southland but from all over the state about their concerns with Springfield.

The money from the new collection fee goes into something called the Tax Compliance and Administrative Fund. Of greater concern to municipalities, DeLuca said, are disbursements through the Local Government Distributive Fund, or LGDF.

Until last year, 10 percent of revenue collected from the state income tax was put into the LGDF and distributed to towns across Illinois. Payouts are based on population.

Last year, as part of the budget legislation, the state reduced its contribution to the LGDF by 10 percent. Also, municipalities get no share of revenue from the increased income tax rate, which rose to 4.95 percent from 3.75 percent.

“Municipalities and counties will continue to receive 10 percent of all income tax generated under the rates in effect before January 2011,” the Chicago Metropolitan Agency for Planning said in its analysis of the changes. “Additional revenues generated by the income tax increase will all accrue to the state.”

DeLuca sponsored House Bill 278, which proposes to restore the state’s funding to LGDF to 10 percent of current income tax collections over four years.

“What’s most important is that municipal governments get their share of state income tax back to 10 percent,” DeLuca said.

The House approved HB 278 by a 67-47 vote on March 7. It was referred to the Senate Assignments Committee on March 8. There’s been no action on the bill since then.

“It’s in the Senate, and it hasn’t moved,” DeLuca said.

The budget process usually creates winners and losers. For example, school districts are winners this year. Illinois Comptroller Susana Mendoza announced on April 9 the first payments of \$350 million in state funding to districts based on need under the new evidence-based funding formula.

Some of those funds made their way to the Southland. Mendoza’s office, for example, reported \$3.2 million in new state funding for Bremen High School District 228, \$2.5 million in additional funds for Thornton Fractional School District 215 and \$2.4 million for Bloom Township School District 206.

Elementary school districts in the region also are seeing a boost. Mendoza’s office reported it sent nearly \$2 million in new funds to Cook County School District 130, which serves Alsip, Blue Island, Crestwood and Robbins.

Other Southland schools getting more state cash last month included \$1.2 million for Chicago Ridge School District 127.5, \$1.1 million for Midlothian School District 143 and \$1 million more for Burbank School District 111.

Communities no doubt appreciate the additional funding for schools. Municipal governments, however, are feeling squeezed by reductions in their share of sales tax and income tax revenues.

“This is an important issue,” DeLuca said. “Local Government Distributive Fund payments have been significantly reduced.”

DeLuca and McDermed said they hoped the General Assembly leadership and governor would reach agreement on a 2019 state budget by the May 31 deadline. Rauner faces re-election in November.

“I don’t think anybody wants their members campaigning without a budget,” McDermed said.

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