



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor and City Council  
**From:** Walter Denton, City Administrator  
**Date:** April 5, 2010  
**Subject:** Resolution Opposing Reduction of Local Government Distributive Fund

**List of committees that have reviewed:** None

**Background:** In his annual budget address, Governor Quinn proposed the reduction of state income tax revenue due to municipal governments from 10% to 7%. This is known as the Local Government Distributive Fund (LGDF). Under the current law, 10% of income taxes come back to the municipality from which they were paid. The other 90% goes to the state. The 10% that is sent to municipalities has a tangible effect: it is 17% of O'Fallon's General Fund revenue and is spent to support personnel and services for departments such as Police, Planning & Zoning, Finance, Administration, Streets, Facilities, and Economic Development.

The proposed cut totals \$300 million that would be stripped from local governments. The cut would take place at a time when many municipalities are formulating their budgets for the next fiscal year. Our budget beginning May 1 contains the full 10% municipal share of the income tax at \$77 per person (which is 20% less than last year already). Gov. Quinn's proposal would reduce this number to \$53.90, a total cut of \$23.10 per person equaling \$680,000. If you add the possible \$1,104,657 shortage the state owes us in this year's budget, the grand total is a \$1,784,657 reduction in our budget.

This is a model resolution from the Illinois Municipal League to formally declare the City's opposition to the proposed reduction in the LGDF.

**Legal Considerations, if any:** None

**Budget Impact:** Proposed reduction of the LGDF would decrease City revenue by approximately \$680,000.

**Staff recommendation:** Approval