

DATE: February 23, 2026

TO: IML Board of Directors

**FROM: Brad Cole, Chief Executive Officer
Illinois Municipal League**

RE: Governor Pritzker's Proposed Reduction to LGDF

Last week, we distributed information to all municipal officials about Governor JB Pritzker's State of the State Address and State Budget Address ([available via this link](#)).

As widely reported in multiple media outlets (see links below), the Illinois Municipal League (IML) is strongly opposed to Governor Pritzker's proposal to reduce the Local Government Distributive Fund (LGDF) formula from 6.47% to 6.28% of individual income taxes, which would eliminate expected natural growth in LGDF revenues based on the State Fiscal Year (SFY) 2027 proposed budget projections. The Governor's proposal suggests that the actual dollar amount of LGDF distributions would essentially remain flat; however, this is the same manner in which previous cuts were implemented and that have had decades of negative impact on municipalities. Any such reduction in the LGDF formula rate is unacceptable. My statement on LGDF cuts is [available via this link](#). IML has a dedicated LGDF webpage, iml.org/lgdf ([available via this link](#)).

LGDF is a designated portion of state income tax revenues, which municipalities and counties receive as a percentage of those revenues and are shared by the state on a per capita basis.

IML has compiled a chart ([available via this link](#)) on historic LGDF rates and the resulting revenue gap and an infographic ([available via this link](#)) on lost LGDF revenue.

Governor Pritzker's proposed reduction in the LGDF formula from 6.47% to 6.28% in SFY 2027 is a reduction of approximately \$67.5 million to local governments based on SFY 2025 disbursements. Since SFY 2011, as state expenditures have increased from \$33.98 billion to a proposed \$56.032 billion in SFY 2027, total annual LGDF distributions will have increased from \$1.013 billion to \$2.303 billion proposed for SFY 2027 ([available via this link](#)). Had the LGDF formula remained at 10%, LGDF distributions would have been \$3.667 billion in SFY 2027 ([available via this link](#)), a difference of more than \$1.3 billion lost by municipalities in SFY 2027. As state income tax revenues have naturally increased, the state has withheld the majority of additional revenues to be used for its own purposes.

The proposed LGDF formula reduction comes along with continued state actions that shift more and more financial responsibility to local governments, including:

- Personal Property Replacement Tax (PPRT) Diversions: In Governor Pritzker's SFY 2027 proposed budget, PPRT diversions exceed \$407 million, bringing total diversions since 2009 to more than \$4.26 billion. IML has a dedicated PPRT webpage, iml.org/pprt ([available via this link](#)).
- Public Safety Pension Mandates: While pension benefits are determined by the state, municipal governments are mandated to fund those benefits with local employer contributions. Downstate and suburban police officer and firefighter pension systems, alone, carry approximately \$12.08

billion in unfunded liabilities. IML has a dedicated public safety pension fund reform webpage, iml.org/pensions (available via this link).

- Lead Service Line Replacement Mandate: Compliance with the Lead Service Line Replacement and Notification Act and the Illinois Pollution Control Board's rulemaking is estimated to cost \$20.9 billion statewide. IML has a dedicated lead service line replacement webpage, iml.org/lead (available via this link).
- Property Tax Exemptions: Statewide expansions of residential property tax exemptions reduce municipal revenue without state reimbursement. As of 2024, exemptions represent more than \$42.3 billion in Equalized Assessed Value. IML's *Residential Property Tax Exemptions* fact sheet is [available via this link](#).
- Elimination of the Statewide Grocery Sales Tax: The state's removal of the 1% statewide grocery sales tax eliminated approximately \$325 million annually in municipal revenue. IML has a dedicated grocery sales tax webpage, iml.org/grocerytax (available via this link).
- SAFE-T Act Compliance: Ongoing mandates for officer-worn body cameras and related public safety administrative requirements impose long-term operational costs on municipalities. IML's *Officer-Worn Body Cameras* fact sheet is [available via this link](#).

Municipalities are absorbing costs while the state retains a greater share of growing income tax revenues. Reducing the LGDF formula has a negative impact on local budgets and risks increased pressure on property tax payers.

The Illinois Municipal League is asking local officials to contact their State Representative and State Senator to voice opposition to this proposed reduction to LGDF.

Please share with your legislators the impact to your community of Governor Pritzker's proposed \$67.5 million reduction in LGDF, while also mentioning the \$12.9 billion in total LGDF cuts since 2011. Ask your legislators to commit to fully funding LGDF and all state shared revenues. All legislators must hear from their local officials on this critical issue.

Once you have spoken with your legislator, please submit feedback to us through this online submission form ([available via this link](#)), so IML can track each legislator's committed position.

As always, please feel welcome to contact me if you have any comments or questions. Thanks.

BRAD COLE | Chief Executive Officer

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Media coverage:

Chicago Tribune: “In State of the State address, Gov. JB Pritzker pitches affordability and Illinois resilience to Trump”: <https://www.chicagotribune.com/2026/02/18/pritzker-illinois-2026-state-of-the-state/>

WREX: “Rockford mayor shares concerns for cuts to Local Government Distributive Fund”
https://www.wrex.com/news/rockford-mayor-shares-concerns-for-cuts-to-local-government-distributive-fund/article_8ff0ead9-70e0-4f87-9ffc-9597d0256cf8.html

WMAY-FM: “Patrick Pfingsten Talks with Illinois Municipal League Executive Director Brad Cole”
<https://www.iheart.com/podcast/1300-pm-springfield-interviews-94970930/episode/patrick-pfingsten-talks-with-illinois-municipal-league-executive-director-brad-cole-323989536>