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# Restricted Powers, Special-Purpose Districts, and Path Dependence: Economic Graveyards in Downstate Illinois

Bethany Behrhorst
*University of Missouri-St. Louis*, babcp2@umsl.edu

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Bethany A. Behrhorst

MA, Political Science, University of Missouri-St. Louis, 2019
MPA, Public Administration & Policy Analysis, Southern Illinois University-Edwardsville, 2004
BA, Mass Communications, Southern Illinois University-Edwardsville, 1997

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Advisory Committee

Committee Chairperson, David Kimball, Ph.D.

Committee Faculty Member Todd Swanstrom, Ph.D.

Committee Faculty Member Terry Jones, Ph.D.

Committee Member Andrew Theising, Ph.D.

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**RESTRICTED POWERS, SPECIAL-PURPOSE DISTRICTS, AND PATH DEPENDENCE: ECONOMIC GRAVEYARDS IN DOWNSTATE ILLINOIS**

## Abstract

Property taxation in the United States is a critical issue warranting examination because it involves the directed distribution of government costs and benefits for citizens. The central question exists: Why are Illinois' property taxes so high? Path dependence was explored as a theory to explain Illinois' property tax reliance issues, asserting that as local governmental units in the State face budget limitations, they find alternative revenue streams. For example, restricted powers could lead to the development of quasi-governments, which are known as special-purpose districts. In such cases, once general-purpose municipalities charter a course by creating special-purpose districts, it is difficult to adjust their course. This could and often does lead to additional layers of government, sometimes redundancy in service delivery, and higher property tax bills. Tax caps as a legislative tool, financially restricting governmental units, serve as a way powers might be restricted. Such constraining mechanisms can motivate general-purpose governments to investigate alternative revenue sources. The result can give rise to path dependence. It is hypothesized that tax caps initially might hold property taxes at or below inflationary rates in high-growth counties. But as local governmental units face increased pressure due to budgetary constrictions, they will identify ways to evade those constraints. To empirically test these hypotheses, taxing bodies' increased reliance on property tax dollars in Illinois was explored, paying particular attention to Downstate Illinois counties below Interstate 80, as well as a high-level comprehensive statewide examination. First, a 10-county pilot study was conducted. Then a statewide examination followed. Whether governmental units rely upon the creation of special-purpose districts, which included school districts, to sidestep budgetary limitations was explored empirically. Also empirically explored was whether the counties' level of economic growth – high versus low – had an interactive effect with counties' use of special district taxes to sidestep the tax caps.

## Restricted Powers, Special-Purpose Districts, and Path Dependence: Economic Graveyards in Downstate Illinois

### Introduction

Property taxation in the United States is a critical issue warranting examination because it affects the distribution of government costs and benefits for citizens. This is especially true in states such as Illinois, which have a higher-than-average property tax rate. Media accounts have consistently listed Illinois among the top 5 states with the highest property taxes, with great consistency since at least 2015 (Randolph et. al., 2015; Walczak et. al., 2021). The central question exists: Why are Illinois' property taxes so high? I address this question more completely throughout this work. One reason for the state's high property tax rate is its number of special-purpose districts. Illinois ranks highest of all 50 states for such districts, as well as for its number of general-purpose governmental units and school districts.

While there can be many reasons ascribed to answer this question, I explore taxing bodies' increased reliance on property tax dollars in Illinois, taking a high-level statewide examination, and paying particular attention to downstate Illinois counties below Interstate 80. As local governmental units in the state face budget limitations, they find alternative revenue streams. I explore a type of tax cap legislation to see how such a mechanism constricts revenue streams. While tax caps might initially stymie tax rates in high-growth counties, as local governmental units face budgetary constrictions, it is shown they will identify ways to circumvent imposed limits.

An important influencing factor for governmental bodies determining available revenue streams is the region's equalized assessed value (EAV) of property. EAV is equal to one-third of a property's fair market value (Lousin, 2010; 35 ILCS 200/9-210; Beard, 2016). As EAV increases, governmental units can rely on that growth to keep tax rates at reasonable levels. Communities within counties experiencing flat or reduced rates of EAV increases often face budgetary constraints from declining revenues. Factors such as population decline or stagnation, and loss of businesses can lead to a flat or decreased EAV. I evaluated the impact of legislative measures on tax rates in low- to slow-EAV-growth counties in downstate Illinois. An analysis of Illinois counties based on whether they adopted legislation aimed at curbing rising property tax rates garnered interesting results. As policy experts have worked with legislators to design laws to cap property taxes, legislative measures were explored to determine how effective such mechanisms were in this effort. I observed mixed results. When facing constraints in EAV, local governmental units, whether having adopted the tax cap legislation or not, will identify alternative sources of revenue. I argue that when tax cap legislation was adopted, affected governmental units sidestepped legislative measures, with more pronounced tax rate increases experienced at times of economic downturn and financial strain. This has been attributed to governmental units being faced with two choices; try to maintain or reduce budgets or identify alternative revenue streams.

This study examines statewide total property tax-rate trends from 1988-2020. This period allows for a pre-tax-cap analysis of counties prior to the

adoption of legislation known as the Property Tax Extension Limitation Law (PTELL) between 1991 and 2003. Introduced as a policy measure allowing voters to control the rate at which property taxes increase, counties across the state may choose to adopt or reject PTELL. Voters decide whether the legislation makes it to countywide ballots. The allure of the legislation has been that general and special-purpose districts falling under its scope wishing to increase taxes beyond inflationary rates must seek voter approval. For many years, inflationary rates had fallen between 2-3%. Without PTELL in place, general and special-purpose districts may raise levies to no more than 5% without voter approval. Passing PTELL is a decision left for each of Illinois' 102 counties to decide individually. Some have voted on the measure and passed it; some have voted on it and rejected the measure, and some counties have never brought the question to voters.

Following a statewide review of data during the referenced timeframe, and a comprehensive review of downstate Illinois south of Interstate 80, a more specific analysis was conducted of 10 downstate counties. The impact of budgetary constraints was measured examining PTELL adoption against changes in EAV. The downstate counties selected were chosen based on similar demographic composition and proximity to Southern Illinois University Edwardsville (SIUE) and Southern Illinois University Carbondale (SIUC). Five counties adopting PTELL examined were Greene, Jackson, Macoupin, Monroe, and Randolph. Non-PTELL adopters evaluated were Madison, St. Clair, Montgomery, Perry, and Clinton counties. There were several reasons for the

selection of these counties. Those reasons, as well as results, follow in the methodology section.

### *Property taxation in the US and Illinois*

To understand the issue in Illinois, first a brief historical overview of property taxation in the United States should be offered. The US property tax system is steeped in a lack of uniformity and lack of clarity in definitions pertaining to how taxes are levied, or collected, as well as what property is taxed, and where tax dollars should be allocated. Fisher offered a comprehensive historical perspective to inform this research (1996). Finance under the US Articles of Confederation introduced in 1777 called for the adoption by states of a property tax structure. It was clearly and expressly identified that “taxes should be laid and levied by the authority and direction of the legislature of each state” (Fisher, 1996, p. 28). In 1789, the federal government imposed a property tax marking an important moment in history for several reasons. This issue requiring state sovereignty in terms of how property taxes would be imposed was directed under the umbrella of federalism (Fisher, 1996). It was the first direct tax in the US, which presented several challenges. It illuminated a seismic scope of equity issues, both in how it was to be apportioned by each of the individual states, and how it was to be structured.

Historically, states have taxed property in different ways, with Rhode Island, Delaware, New York, and Maryland taxing mass property, while New Hampshire and Massachusetts applied the English taxation style of using annual value. Other states used an ad valorem method of taxation, which applied an

assessed value to property. States had autonomy in deciding how they would implement the structure of their property tax, with some opting to elect or appoint county tax collectors, as well as property tax assessors (Fisher, 1996). Decisions made during this time set different states on different courses in terms of how property taxes would be collected and distributed for generations to come. Illinois's path, inspired by the property tax structure put in place as an extension of its geographic proximity to Ohio and Indiana, paved the way for it being the leader in number of total units of government and special-purpose districts in modern day.

As part of the Northwest Territory, Illinois was separated from Indiana in 1809. The territorial governor and judges applied the Indiana territorial land taxation law, levying $0.10 per $100 valuation in 1809. The money was given to counties to construct buildings. Illinois' first formal Constitution was adopted in 1818, mandating uniformity and equity in property taxation (Fisher, 1996). In 1848, a second Illinois Constitution was introduced to voters calling for an amendment to allow for the levying of property taxes to help pay off the state's debt. The third State Constitution, ratified in 1870, provided for more direction concerning the use of property taxes as the primary revenue source for Illinois. In response to statewide concerns expressed regarding perceived inequity and corruption involving the system of property tax assessment and collection, Illinois' fourth Constitution was adopted December 15, 1970 (Gardner, 1975; Lousin, 2010). Pressure from the media investigating claims of corruption in the assessment process,

coupled with the successful argument of Illinois cases in court proving some property assessments in Cook County by far exceeded legally allowable market value, the new amendment called for uniformity in the assessment process to be implemented and ensured at the county level, and the use of a ratio by which taxes were collected across the state. Changes to the Constitution placed more of the financial burden of funding public schools on the shoulders of property taxpayers (Lousin, 2010). The result of that decision has led to roughly two-thirds of property tax bills in Illinois going to fund public education. This dissertation argues that this change and the formation of special-purpose districts have allowed Illinois counties and communities to create taxing bodies as alternative revenue streams when faced with budgetary constraints and financial limitations.

The number of special-purpose districts has been on the rise in most states since at least 1942, when US Census of Governments data first started measuring special-purpose districts. In an evaluation of US Census data from 1942 to 2012, the number of special-purpose governments in all states swelled from 8,299 to 38,266, or by more than 4.6 times.

***An examination of Illinois***

As the state with the distinction of having the most special-purpose districts every consecutive reporting period since US Census-data collection and reporting began in 1942, Illinois serves as an excellent case study on this topic. Illinois, with a reported 3,227 special-purpose districts as of 2012, had almost 15% more of such districts as the states with the second and third-highest

number of districts, with California at 2,861 and Texas at 2,600. Furthermore, it appears that Illinois actually possesses more special-purpose districts than the number that is reported by the Census Bureau. Additionally, inconsistencies in financial reporting practices among taxing units reported by state agencies and independent organizations were discovered, creating an environment that can be described as challenging to navigate. It can be argued Illinois is a land of “ghost governments,” with the numbers of governmental units reported by the Census Bureau described to be misleading at best.

The number of special-purpose districts may be directly proportional to the tax a property owner pays. Intuition guides the notion that the more taxing bodies a state has, the higher the property tax bill. As this dissertation establishes, Illinois is the leader among all 50 states in all categorizations of districts and has been since 1942. It is important to note, special-purpose districts have a lower degree of accountability, as well as a greater ability than general-purpose districts to fly under the radar when increasing levies. To some extent the public pays attention to counties, cities, villages, and townships. These units hold public meetings, which often are covered by the news media. If a county, city, village, or township pushes up its levy, the public knows about it. A special-purpose district has a better chance of increasing its levy without notice, which may have potential implications that must be considered.

Bollens (1957) recognized the implications of special-purpose government proliferation in the 1940s and 1950s, with his work pointing to the importance of school districts. Other scholars have echoed this consideration. Their role in

guiding the direction of property tax bills cannot be ignored. The fact these districts, for grades K-12 and more than 10% of allocation directed toward community colleges, consume roughly 60 percent of the state's property tax collection pie points to the need for their thorough examination. This research examines community colleges and school units that do not file financial reports through the Illinois Office of the Comptroller (IOC) and the Illinois Department of Revenue (IDOR) and therefore are not included in the US Census of Government Reports. This is the greatest area of government growth, and with limited oversight and reporting requirements, this research is important for identifying potential future implications for generations of taxpayers to come. As they are not required to file financial reports, this poses transparency issues that must be considered.

To understand Illinois in relation to the rest of the United States, I review data on property tax districts and demographic information. It has been argued that high income, sales, and property taxes have served as a catalyst driving residents and small businesses out of the state. I review each of these forms of taxation. Below are tables that capture US census data for several states showing districts by type, as well as overall state percent of tax reliance by type. As states most comparable in size to Illinois, California, New York, and Texas were examined. Population by state is listed in the table below:

Table 1

*Population in selected states of interest for comparison.*

| State | Population |
|---|---|
| California | 39.5 million |
| Illinois | 12.8 million |
| New York | 20.2 million |
| Texas | 29.1 million |

Source: 2020 U.S. Census Bureau data.

Each of the states analyzed had considerably fewer special-purpose districts than Illinois, as well as fewer general-purpose districts (see table 2). Based on the information presented in tables 1 and 2, it is clear the size of the state is not correlative to district formation and proliferation. While Texas had the highest property tax reliance at 41.24%, the state does not collect income tax.

Table 2

*Comparative data for largest US states: number of districts by category, and percent property tax reliance.*

| State | No. General Purpose Districts | No. Special Purpose Districts | No. School Districts | Total Districts | % Property Tax Reliance |
|---|---|---|---|---|---|
| California | 539 | 2,861 | 1,025 | 4,425 | 28.08 |
| Illinois | 2,831 | 3,227 | 905 | 6,963 | 38.41 |
| New York | 1,600 | 1,174 | 679 | 3,453 | 31.36 |
| Texas | 1,468 | 2,600 | 1,079 | 5,147 | 41.24 |

2012 U.S. Census Bureau: Census of Governments

Illinois holds the distinction as the state with one of the highest income tax rates in the nation, and motor fuel and sales taxes have incrementally been on the rise for more than a decade. Increases in tax revenue at all levels have created an unsettling environment for residents. Until 2022, it had been consistently reported by media outlets, scholarly publications, reporting agencies, and widely accepted that Illinois had been losing population and/or was behind the curve when compared to the rest of the country in terms of population change for more than a decade, potentially for two decades. In multiple surveys, high taxes are consistently listed among the top five reasons residents cite for wanting to leave the state (Jackson and Yepsen, 2016). Furthermore, the increases have not resulted in the state being able to pay down its mounting debt. This debt led the state to receive a junk credit rating; one of the worst credit ratings in the US. In 2020, Illinois again increased its license plate sticker rate for those who own vehicles, as well as its motor fuel and vice taxes, and approved the use and sale of recreational marijuana. The latest change in law has already generated great yields in tax dollars for the state. Despite such gains there has been no relief in any area of taxation since the introduction of this revenue stream.

In 2014, these states reported the following reliance on property taxes (in percent of total revenue): California (25.42%), Indiana (25.89%), Michigan (35.38%), Missouri (27.64%), Texas (40.42%), and Wisconsin (36.15%). Illinois' reliance was the second highest in that area at 36.5%, as referenced above, and highest in corporate income tax reliance at 6.27%. Other states reported corporate income tax reliance as follows: California (4.19%), Indiana (3.51%),

Michigan (2.35%), Missouri (2.05%), and Wisconsin (3.72%). Texas does not collect corporate income tax (Smith, et al., 2017). Combining property and corporate income tax, Illinois rises to the top with Texas remaining at 40.42% and Illinois at 42.77%. In 2017, Illinois lawmakers approved a permanent increase in state and corporate income taxes. Income taxes were increased from 3.75% to 4.95% and corporate income tax rose to 7% (Illinois Department of Revenue 2017). These increases likely will affect future reliance reports, but how remains unclear at this time. A breakdown of percent in taxes paid by category, by state, for fiscal year 2014 is available in Table 3 and shows Illinois still is among the lowest of those states compared for income tax collected, but ranks highest among the “other” category, which includes motor vehicle licenses and corporate income taxes. As Texas does not collect income tax, this might explain the higher-than-average percentage of property tax collection.

Table 3

*Percent of reliance on major state and local taxes: selected states FY 2014.*

| State | General Sales [1] | Selective Sales [2] | Property | Income | Other [3] |
|---|---|---|---|---|---|
| California | 23% | 9% | 25% | 32% | 11% |
| Illinois | 14% | 14% | 37% | 24% | 12% |
| Indiana | 28% | 15% | 26% | 24% | 7% |
| Michigan | 23% | 11% | 35% | 22% | 9% |
| Missouri | 26% | 11% | 28% | 27% | 8% |
| Texas | 36% | 14% | 40% | 0% | 10% |
| Wisconsin | 19% | 11% | 36% | 26% | 8% |
| All States – average | 23% | 11% | 31% | 27% | 7% |

[1] Includes retail sales/use taxes and gross receipts (B&O) taxes levied on gross sales.

[2] Includes taxes on specific items, i.e., gasoline, liquor, cigarettes, and public utilities.

[3] Includes motor vehicle licenses, corporate income taxes, and all other taxes.

Source: 2014 US Census Bureau

Several factors were considered when choosing states for comparison with Illinois. Michigan, Texas, and Wisconsin were selected for comparison based on their shared higher percentage of reliance on property taxes. Also, like Illinois, Texas has a high number of special-purpose districts, as does California. Missouri and Indiana were selected due to their proximity to Illinois as neighboring states. Comparison data from the US Census Bureau available through the Washington State Department of Revenue, as well as special-purpose district data was reviewed from the Pew Charitable Trust (Smith, et al., 2017; Maynard and Clark, 2013). Illustrations that follow show overall major state

and local tax reliance by US states for California, Illinois, Indiana, Michigan, Missouri, Texas, and Wisconsin for fiscal years 2011 and 2014.

**Why are property taxes so high in Illinois?**

The central question exists: Why are Illinois property taxes so high? While scholarly works and media articles examine this prominent issue, there are relatively few explanations of the historical chain of events leading to this phenomenon. Articles, studies, and popular media capture and explain the issue, identifying a problem exists; however, there is a lack of scholarly work that seeks to explain the roots and chronology leading to this dilemma. Another important question to ask is why does Illinois have so many taxing districts? Additionally, how many taxing bodies, in fact, does it have? Also, how did Illinois come to rely so heavily on special-purpose districts? It is important to understand how Illinois collects taxes and allocates those dollars, as well as steps the state has taken to curb the formation of special-purpose districts.

The hypothesis guiding this research was that as a general-purpose government's revenue stream becomes constrained due to state restrictions on debt and spending, unfunded mandates, state-imposed regulations, and other factors, those units explore their options. One of these options is creating a special-purpose district or relying on existing special districts to take over a function of government. This removes the financial obligation from the general-purpose government, while transferring it to another unit.

Some could argue these special units of government provide individuals with more access points to entry in government and additional opportunities for

citizen involvement. However, it is apparent that these limits are responsible for placing an additional burden on property taxpayers who are tasked with financially supporting them. In Illinois, this contributes to substantial property tax burdens. Since 1942, the number of special-purpose districts has grown substantially, as this research shows. Additionally, this research showcases the property tax burden has grown along with that number. Furthermore, the 1970 Illinois Constitution changed the way public education is funded. Once supported in a greater degree by federal and state funding, including personal property tax revenue, the amendment passed by state lawmakers abolished the individual personal property tax (PPT) in the state, effective in 1971, and the PPT for businesses shifted the lion's share of this burden to property owners (Fisher, 1996). This is an example of how an unfunded mandate sets the stage for future fiscal challenges.

In Illinois, the growth of special-purpose district taxation has corresponded with increased property taxes. Personal income, purchases, and property values are factors that determine the level of taxes individuals pay. Another way to explain property tax obligation is in amount by $1,000 in personal income. Illinois was among the top nine in the nation for per-capita property tax collection between 2011-2014. The state was consistently listed among the top nine, collecting $45.14, $45.42, $43.67, and $43.03 per $1,000, respectively, in those years (Smith et al., 2017). The national average for collection in those years was $35.58, $33.72, $32.58, and $33.16, respectively. Eastern states, like New Jersey, which reportedly collected $56.46, $54.73, $54.34, and $55.45,

respectively, and New Hampshire at $53.42, $52.44, $51.34, and $55.65, respectively, were the highest collectors.

Table 4

*Fiscal Years 2011 - 2014 property taxes per $1,000 personal income.*

| | Fiscal Year 2011 | | Fiscal Year 2012 | | Fiscal Year 2013 | | Fiscal Year 2014 | |
|---|---|---|---|---|---|---|---|---|
| State | Amount | Rank | Amount | Rank | Amount | Rank | Amount | Rank |
| New Hampshire | $53.42 | 3 | $52.44 | 2 | $51.34 | 2 | $55.65 | 1 |
| New Jersey | $56.46 | 1 | $54.73 | 1 | $54.34 | 1 | $55.45 | 2 |
| Alaska | $43.00 | 10 | $40.99 | 10 | $36.68 | 13 | $51.31 | 3 |
| Vermont | $53.72 | 2 | $50.51 | 3 | $49.17 | 4 | $51.27 | 4 |
| Rhode Island | $50.49 | 4 | $50.31 | 4 | $49.31 | 3 | $49.90 | 5 |
| Maine | $48.18 | 6 | $45.96 | 7 | $45.89 | 6 | $48.40 | 6 |
| New York | $48.62 | 5 | $47.99 | 5 | $46.57 | 5 | $47.55 | 7 |
| Connecticut | $41.50 | 11 | $41.14 | 9 | $41.40 | 9 | $43.24 | 8 |
| Illinois | $45.14 | 8 | $45.42 | 8 | $43.67 | 7 | $43.03 | 9 |
| Wyoming | $47.96 | 7 | $47.00 | 6 | $42.01 | 8 | $40.11 | 10 |
| Wisconsin | $44.74 | 9 | $38.88 | 11 | $38.73 | 10 | $38.89 | 11 |
| Texas | $41.39 | 12 | $38.51 | 12 | $37.19 | 12 | $38.39 | 14 |
| Michigan | $39.02 | 14 | $35.95 | 17 | $34.26 | 17 | $34.11 | 18 |
| California | $33.09 | 23 | $29.85 | 28 | $28.52 | 29 | $28.86 | 30 |
| Maryland | $29.18 | 33 | $29.46 | 29 | $28.10 | 30 | $28.53 | 31 |
| Indiana | $27.73 | 36 | $26.77 | 36 | $25.15 | 36 | $24.89 | 38 |
| Missouri | $26.69 | 38 | $25.12 | 39 | $24.27 | 38 | $24.18 | 40 |
| U.S. Average | $35.58 | | $33.72 | | $32.58 | | $33.16 | |

Source: Smith, Oline and Brown 2017: 1-13.

An examination of per-capita property taxes showed Illinoisans paid $1,882 in 2011, $1,986 in 2012, $1,993 in 2013, and $2,006 in 2014, higher than the national averages in those years: $1,433, $1,431, $1,442, and $1,474, respectively. The state ranked among the top 10 for this four-year period (Smith, et al., 2017). Table 5 shows the top 10 states, as well as other states chosen for comparison in this dissertation, for the four-year compilation by state ranking, with the 2014 ranking listed in chronological order.

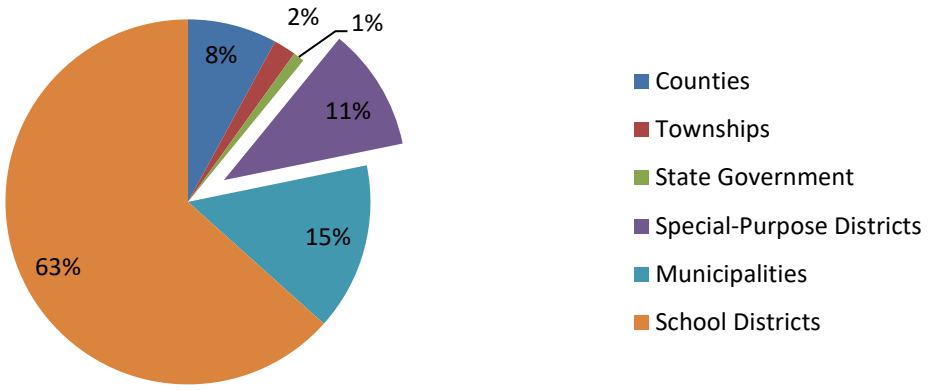
In Illinois alone, the Local Government Consolidation and Unfunded Mandates Tax Force, created by former Illinois Governor Bruce Rauner, noted

that there were nearly 7,000 documented local taxing bodies across the state, as well as hundreds of new, unfunded mandates resulting from local government need. It can be argued some of that need resulted from the state failing to pay its bills to creditors during a nearly 2-year budget standoff during Gov Rauner's tenure. The impasse ended when the General Assembly narrowly overrode Rauner's vetoes, leading to the passage of a $36.1 billion plan for spending, which included $5 billion in tax increases from a bump in corporate income tax collected from 5.25% to 7%; and an increase in personal income tax from 3.75% to 4.95%. These measures were taken in the wake of the state owing its creditors a reported $15 billion (Civic Federation 2018). As of 2015, Illinois reported having 4,755 special districts—a significant increase from the 3,227 reported in 2012 (Task Force 2015). This number reflected a 47% increase within three years when comparing it against the US Census figure. Intrigued by such a disparity, other data sources were reviewed.

What has caused this increase in the number of special-purpose districts? While there have been several reasons proposed for such a significant increase, this research suggests that state-imposed budgetary constraints on local units of government have served as the primary factor leading general-purpose districts to initiate the creation of special-purpose districts. Historically, states with budgetary constraints have utilized special-purpose districts as a means of sidestepping statutory restrictions on the amount of taxes that may be collected by governing bodies. As greater constraints are passed down to local municipalities, those units of government are faced with the task of tightening

their budgets or finding alternative sources of revenue. The implementation of special-purpose districts has provided a new means of collecting tax dollars and ensuring the continued operation of services for many communities. This also allows governmental units to raise money at rates that outpace inflation. The concern is path dependence has been leading to higher property tax bills in Illinois, as well as other states, through the creation of special-purpose districts, and thus creating a greater burden on residents within those states, with potential implications to be felt years from now. I am not arguing whether high property taxes are good or bad. I am simply identifying that debt limits and restrictions, combined with population stagnation or decline and economic hardship impact the amount communities pay in property taxes. I also argue this greater burden might make it harder for residents to stay in their homes. Figure 1 provides a picture of Illinois' property tax allocation for 2012. Special-purpose districts account for 11% of tax revenues. This is the same percentage as adding the amount collected by counties, townships, and state government combined. The percent collected by special-purpose districts combined with school districts, comprised 74% of the property tax allotment:

**FIGURE 1 - 2012 Property Tax Distribution by District Type State of Illinois**




Source: US Census Bureau, 2012 US Census of Governments

Illinois fiscal trends concerning property taxes more generally, and special-purpose districts specifically, were examined closely, with analysis diving into Madison County, Illinois, the state's eighth most populous county. Data was reviewed from reports including final Madison County tax computation data from 2002, 2009, 2016, and 2017, IDOR data from 1988-2022, data from the IOC, studies from the Civic Federation, the Illinois Office of the Lieutenant Governor's Task Force on Local Government Consolidation and Unfunded Mandates (Walzer, 2015), and other sources. On the examination of data from the IDOR, the OIC, and the US Bureau of the Census of Governments, it became evident there were conflicting results. A review of data presented by the independent research agency, Civic Federation, raised additional suspicions and questions concerning the integrity of information shared (Schuster, 2019). The number of districts reported by each agency by year were different. There is no authoritative

source identifying the most accurate or preferred numbers for researchers to use, which makes this research particularly challenging. That information is captured in the table below:

Table 5

*Total number of Illinois taxing districts by reporting agency, 2017.*

| State | IDOR | IOC | US Census | Civic Federation |
|---|---|---|---|---|
| Special Purpose | 3,216 | 5,701 | 4,090 | 6,097 |
| General Purpose | 2,826 | 2,828 | 2,828 | 2,826 |
| Total | 6,042 | 8,529 | 6,918 | 8,923 |

Source: Illinois Department of Revenue, Illinois Office of the Comptroller, U.S. Census Bureau, Civic Federation

This required further analysis to try to identify and comprehend why each agency reported different numbers. Additionally, definitions of districts differed. Furthermore, not all governmental units in the State of Illinois are required to report to the same agencies, with some governments not required to file financial reports to any state agency at all.

Some government officials across the country have viewed the use of special-purpose districts as an efficient and expedient political tool to lower the amount levied for general-purpose districts. The creation of such districts increased in the 1970s and has continued since (US Census Bureau, 2012). These developments have led to a rise in the number of special-purpose districts in many states at the local level (Trussel and Patrick, 2013).

Illinois Constitutional Convention delegates in 1970 relaxed tax limits on some municipalities and counties through home rule powers as a means of

encouraging intergovernmental cooperation and staving special-purpose district creation (Hagaman, 2009; Joint Committee on Legislative Support Services, 2003). This indicates lawmakers have been aware for quite some time of the role special-purpose district formation has played in shaping a system that drives up tax bills.

Lawmakers during that time had acknowledged tax limits were making it difficult for municipalities and some counties to obtain funding required to offer public services. Some lawmakers argued this was the reason for a rise in the creation of special districts across the state in the first place. The hope in raising limits, legislators reasoned, was to facilitate greater intergovernmental cooperation, which would result in reduced government expenses.

Changes to the Illinois Constitution in 1970 assigned home rule status to counties with chief executive officers and cities, villages, and towns with populations of more than 25,000. Home rule status gives qualifying entities the ability to self-govern in matters that are local in nature. Article VII, Section 6 of the new Constitution stated:

> "Except as limited by this section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals, and welfare; to license; to tax; and to incur debt."

Article VII, Section 6(a) of the Illinois Constitution of 1970.

Municipalities may rescind the home-rule designation via voter referendum and face the prospect of losing this status if population falls below 25,000. Currently, Cook County is the only of Illinois' 102 counties with home rule status (Illinois Association of County Board Members, n.d.). It had been a hope expressed by legislators that home rule designation might lead to the creation of fewer special-purpose districts (Joint Committee on Legislative Support Services, 2003). Instead, this move did nothing to remediate general-purpose levies, nor did it reduce the number of special-purpose districts. But it could be too early to determine the true impact in this area. As of December 21, 2022, the Illinois Municipal League reported that Illinois has 221 home rule municipalities, excluding Cook County (Home Rule Municipalities, n.d.). This represented an increase by two municipalities from July 14, 2022.

Less than 3% of Illinois' potentially more than 9,000 municipalities currently claim home rule status, which might be part of the State's problem. It is unclear if home rule status influences property tax bills in a positive or negative way since so few governmental units have the designation. As the number grows, this might be an area for future study.

**Key Questions Raised**

As referenced earlier, the IDOR and the IOC have been unable to agree upon the number of districts in Illinois. This is because both use different methodologies. In 2001, the IDR reported 2,926 special-purpose districts, while the IOC's count was 4,689, which included those filing annual reports or audit statements (Joint Committee on Legislative Support Services, 2003). This

represents glaring inconsistency in reporting, calling the integrity of the data collected into question.

Understanding the property tax process and the ways these dollars are collected and distributed provides greater insight as to past practices, the current reality, and future projections. A growing property tax burden may be a reason some residents have left the state or have left some counties or communities to other areas within it, leaving those who remain in municipalities experiencing population decline to shoulder even higher property tax obligations to retain the services offered by special-purpose districts. In some areas of the state, property tax reliance has resulted in devastating consequences for its property owners. To address the issue of rising property taxes, it must first be understood why special-purpose districts are increasing in number, as well as the financial stress numerous districts place on property owners. Only after a true understanding is reached can something be done to address the issue.

***What reforms are possible?***

What reforms are possible to contain local property tax rates and limit increases in special taxing districts? The surge of special-purpose districts in Illinois over the last 70 years, by 210%, illuminates the problem that exists, the path dependence that has made the problem a reality, and the work that lies ahead for Illinois lawmakers to bring about a more transparent, responsible, and efficient state government at all levels. The state cannot address its financial needs and woes without property taxes. But population decline in some areas across the state, and stagnation in others due to loss of jobs and businesses, as

well as other financial issues, coupled with high property taxes threaten to further erode the state's Equalized Assessed Value (EAV) in blighted communities. Illinois simply cannot collect taxes without its citizens, as the City of Madison, Illinois, which will be analyzed later, is proving no matter how artificially inflated the EAV. Nor can Illinois provide services to its citizens without the governmental structures necessary to do so.

It is also important to examine McCabe's (2000) conception of restricted powers as they relate to the rise in the number of special-purpose districts within states that have strong lobbying from real estate and development interests. This is an important piece in understanding placement of this policy issue on the agenda, or even failure to place it on the agenda, as well as policy formation, adoption, and implementation. If McCabe's assertion is true, elite actors might be guiding resistance to policy change. This could inspire path dependence, as introduced by Pierson, in its own way.

Furthermore, through historical-institutionalist theory path dependence might be another element offering to explain policy inertia in this area. The formation of districts supports the notion of elitist theory, as it was alluded to earlier, these districts provide access points to government. Elected officials appoint figure heads for these districts, and these figure heads have an allegiance to the official who appointed them. The number of these districts in affluent areas signals that when wealthy interests push the agenda, it drives up the tax bills for those living within those districts. Perhaps more attention is not paid to this because those living in the affluent areas have greater means to pay

the taxes. When this happens within more economically depressed areas, it places a greater burden on residents who live with less resources. Property taxes, by any measure, are seen by some scholars as regressive in nature, hurting the poor disproportionately when compared to those with greater financial means (McMillen, 2011; Berry, 2021; Walczak et. al. 2023). By saying property taxes are regressive, the assertion is made they disproportionally create hardship for those with lesser home values and less financial ability to pay them. While it might be argued poorer residents have properties with lower EAVs and are not taxed as much money in dollars as wealthier property owners, this dissertation identifies those living in poorer urban areas tend to have more taxing bodies and pay up to three times the percentage on their properties as do their wealthier neighbors. Poorer residents have less income at their disposal when compared to wealthier residents, and thus, this leads to a higher overall percentage of income paid by poorer residents for housing. If this disparity holds true, it might be inferred that such imbalance and inequity in the property tax system could push people out of certain areas. Such a dynamic could inspire the sale of homes, or lead to their abandonment, leaving those who remain to shoulder higher tax burdens.

A consistent increase in the number of these districts over the 70-year period analyzed has exacerbated fiscal problems in Illinois, allowing local governments to increase revenues, while transferring the responsibility of sustaining such services away from general-purpose governments. Drawing from and expanding on the work of scholars, including McCabe from the 1970s

through the 1990s, a thorough examination of the full span of data collected on special-purpose governments based on US Census of Governments data from 1942 through 2017 was conducted.

During this same time the statewide population was widely reported by the media and even the US Census to be on the decline but now final US Census totals show it was facing stunted growth. Since 2000, multiple state and federal agencies, as well as publications including the *Illinois Policy Institute*, reported that Illinois lost roughly 1.22 million residents. To put this in perspective, the then-reported loss accounted for the equivalent of the entire populations of the state's ten largest cities outside Chicago (Berg, 2016). Multiple sources cited in a *Chicago Tribune* article claim that one of the main factors driving people out of Illinois is high property taxes. However, according to the 2020 US Census of Governments report, Illinois did not lose population between 2010 and 2020, but only experienced slight growth that was well below the average increase reported by other US states. The inconsistency in reporting true population numbers from 2010 to 2020 illuminates another challenge for scholars. Inconsistent and inaccurate information can lead to the evaluation of incorrect information. When learning about persistent and pervasive problems in Illinois, a state that is cloaked in them. The inaccurate early Census reporting led many scholars and media experts to examine outmigration and its impact on taxes. Three of the top five reasons given for outmigration were financial in nature – high taxes, budget woes, and unemployment (Berg, 2016). High taxes from all angles in Illinois seem to stimulate discourse among residents and drive people out of the state.

Final 2020 US Census data indicated Illinois had not lost population as so many had been expecting – with the estimates even leading the state to lose a seat in the US House of Representatives. In fact, the population had grown – though very modestly - between 2000 and 2020, from roughly 12.4 million to 12.72 million, or by 320,000 (US Census Bureau, 2000; US Census Bureau, 2020). The national population growth between 2010 and 2020 was 7.2%.

Regardless of how population has shifted or changed in the state, it is clear great reliance on special-purpose districts seems to have paved the way for property tax bills that have by far outpaced inflation (Randolph, et al., 2015). *Illinois Policy Institute* reported that since 1963, the state's property taxes have increased 2.5 times faster than inflation and 14 times quicker than Illinois' population. The article further noted that since 1990, residential property taxes have increased by about 76%—3.3 times faster than the median household income (Randolph, et al., 2015). The differing accounts of population stagnation, fluctuation, or however the media has termed it, served to confuse the public. But it is certain the US Census holds the final voice on the matter. While the Census Bureau maintained the state saw a modest population increase between 2010 and 2020, it is undeniable Illinois lags when compared to the rest of the country in population growth.

***Do these reforms work?***

Politicians on both sides of the aisle have discussed the problem of high Illinois property taxes, some searching for ways to curb their rise. Recognizing soaring property tax rates as a major problem in the state, former Gov. Jim Edgar

championed legislation to limit property tax growth during his gubernatorial run in 1991. Illinois elected a new governor, as well as adopted legislation known as the Property Extension Limitation Law (PTELL) that year. Inspired by rapidly rising property taxes particularly in Illinois' collar counties, which include and surround Chicago, the legislation's aim is to keep increases at or below inflationary rates. Because Illinois has historically been among the top five states in property tax collection, lawmakers have realized since at least the 1960s that something needed to be done to remedy the problem.

The first adopters of PTELL were upstate collar counties, with some downstate counties following suit in subsequent years. The last two of the 39 PTELL-adopting counties approved the measure by referendum vote in 2002. PTELL serves as an additional layer of limitation for governmental units by restricting their ability to increase levies, which are the amounts of money requested during the budgetary process. If government bodies participating in PTELL hope to increase their request of property taxpayers by more than the consumer price index (CPI) or 5%, whichever is lesser, they must seek voter approval via referendum. Collar counties initially saw this legislation as a plan to reduce out-of-control property increases. Research indicated this plan appeared to work at the surface, leading some downstate counties with burgeoning tax rates to follow suit and adopt the legislation. By 2003, just more than a decade after the first counties adopted PTELL, it became clear the legislation might not prove the solution legislators had hoped it would be. However, by the time this

became clear, PTELL adopters had already chartered a course different from other counties.

While PTELL applies to non-home rule communities and special-purpose districts, including school districts, some municipalities and jurisdictions are not subject to its constraints. Under the lens of historical institutionalism, the pendulum of action in accepting the legislation across the state set the property tax system on a course that it continues following today. Nearly a decade after adoption, tax rates still outpace inflation in PTELL counties, at about the same pace as non-PTELL counties, and an even greater pace for low-growth counties that are subject to the legislation.

***Does path dependence apply in Illinois?***

A fascinating tenet of historical institutionalism is that path dependence can occur in the form of a failed attempt to fix an issue that another policy or policies have created (Schwartz, 2004; Sorensen, 2015). Path dependence, as presented by Pierson and other scholars, is an apt concept to apply to property tax policies in Illinois. According to Pierson, path dependence involves the examination of social processes that offer positive feedback and create branching patterns as they develop through history (Pierson, 2004, p. 33-36). I hypothesize that the creation of special-purpose districts produces alternative revenue sources through the state's property tax system, resulting in a higher reliance by local governments on such mechanisms. This has allowed general-purpose governments to shift the fiscal responsibility and delivery of certain public goods and services to a new unit of government. The positive feedback,

as it might be seen, is that general-purpose governments no longer will have the financial obligation of maintaining the services or amenities taken over by a new special-purpose district. General-purpose governments might even be able to reduce their levies, hold them flat, or increase them to a lesser degree in response to being freed of some obligations. But the new special-purpose district gives rise to new issues. A new taxing body is added to tax bills, or tax burdens are merely shifted to existing special districts.

Meanwhile, alternative conceptions of path dependence maintain its relationship to game theory and other types of institutionalism inspired by economics. Under these assertions it is voting behavior that inspires outcomes. Voter choices result in at least the provisional establishment of an equilibrium (Peters, 2019). Agenda control among the decision-making actors is essential in such cases to determine how the group is to proceed (Hammond, 1986). Alexander (2001) as well as other scholars critiqued the notion of path dependence on institutions, claiming the influence on outcomes might not be strong enough, particularly if examining comparative politics when comprehending the transfiguration of political structures.

While historical institutionalism, and path dependence as an extension of it, have enjoyed greater examination in recent years, it is clear that change within institutions is slow-moving. Various definitions for institutions are offered by scholars, with the one for the purpose of this study being of an operational nature as the formalized systems of government, in this case related to property taxation (Peters, 2019, p. 74-75). Hall's work (1986) clarifies the more systematic or

structural components of institutions to recognize the impact of such concepts in relation to policies, with particular focus paid on Keynesian and monetary policy. Such functions can curtail government action.

A challenge to applying historical institutionalism as a precept has been capturing change over time. Path dependence as an explanatory feature allows for the exploration of clear institutional patterns of behavior to identify policy inertia, as well as points of punctuated equilibrium. These elements are explained in application throughout the methodology section. Special-purpose districts have been established to create funding mechanisms for essential services like fire protection, parks, libraries, and much more. Other types of special-purpose districts in Illinois include mosquito abatement, sanitary, flood, transit, transportation, civic center authority, conservation, and others. For this dissertation, school districts, while not formally classified as special-purpose districts, will be included in the discussion in this category.

**The Argument for Path Dependence**

As explained by Bennett and Elman (2006), there are numerous ways to ascertain path dependence in the field of political science. Using their theory, four common elements are applied to test path dependence to explain the rise and persistence in these districts, which has led to Illinois' ever-increasing property tax bills over the last 70 years. The four elements include causal possibility, contingency, closure, and constraint (Bennett and Elman, 2006). Causal possibility suggests there might be more than one path to consider in a case. Contingency exists when it is clear a causal story is affected by an event that is

out of the norm. Closure applies when it is clear a path is set, and it is unlikely deviating from that plan will result in change from the projected outcome. Finally, if constraint is the projected expense of deviating from the current path, would doing so cost more than staying on course? I explore these elements of path dependence when examining Illinois' current tax predicament.

***Causal possibility***

Causal possibility posits there could be more than one avenue, or path, taken throughout a given course in time on the issue under examination. In this case, the issue is property taxation in several US states, particularly Illinois. Additionally, for causal possibility to hold true, the proposition must exist for different potential outcomes contingent on deviations along the chosen path (Bennett and Elman, 2006). Regarding the creation and proliferation of special-purpose districts in the State, this suggests that causal possibility exists. The causal possibility that has been instrumental in directing Illinois' ultimate path, was the amendment to the Illinois Constitution in 1970. Through the 1970 constitutional changes, an auditor general was introduced for the purpose of reviewing fiscal operations and policies for the whole of state government. This new role provided lawmakers with a greater degree of budgetary and policy oversight, as well as decision-making abilities. The Office of the Comptroller was also established, with the responsibility of working with the state's treasurer to safeguard and invest state revenues, including tax dollars. This office was created as an enhanced checks-and-balances measure following the embezzlement of more than $6 million between 1952-1956 by disgraced former

Auditor of Public Accounts Orville Hodge (Miller, 2005). Other changes were made to provide local units of government with more flexibility in terms of making funding decisions that affected their jurisdictional areas.

Another change to the constitution enabled the sale of bonds for public works projects, with three-fifths approval by both chambers. This modified the state's powers under the 1870 constitution, which had previously required voter approval to borrow a sum greater than $250,000. Under the previous constitutional parameters, past Illinois governors and legislators were able to establish fictional private entities. These entities borrowed the funds for such projects at higher interest rates and costs. The purpose of the 1970 change was to keep such abuses of power from happening. Furthermore, lawmakers created "home rule" status, which was referenced earlier, for municipalities with populations of more than 25,000 people, as well as general-purpose governmental units voting in favor of adopting such status. It had been the hope of lawmakers passing the new rules to curb a recognized rise in the number of special-purpose districts across the state (Miller, 2005). The 1870 constitutional charter had paved the way for tighter debt restrictions, unintentionally leading to an increase in the number of special-purpose districts when municipalities were faced with the inability to sell bonds to pay for services such as fire protection, parks, libraries, and others (Miller, 2005). While well-intended, the 1970 constitutional changes shifted the burden of funding public education more heavily on property owners and businesses. The elimination of the personal property tax and the requirement for property taxes to cover a larger portion of

the public education bill, along with no reduction in number of special-purpose districts under the constitutional change led to an increased property tax obligation for the state's residents and companies.

### *Contingency*

Another necessary element to support the case for path dependence is contingency. For contingency to apply, it must be shown the causal story is shaped by an unplanned, accidental, or irregular element (Bennett and Elman, 2006). This dissertation explores several variables that historically have served to incentivize district creation. Some of these include state unfunded mandates, such as pension obligations; increases in general assistance allotments to seniors and lower-income residents; burgeoning personnel and operating costs experienced by municipal governments, and the need for municipalities to increase budgets in response to those obligations. Additional unplanned variables include the current pandemic, economic downturns, the Great Recession of 2008, and the two years under former Gov. Rauner's term when bills went unpaid by the state.

The path dependence argument asserts these challenges, evidence of the external environment of the policy process as identified by Pierson's model, have pushed general-purpose governments across the state into a pattern of reliance, as these units search for ways to offset general fund obligations and maintain amenities residents enjoy (Pierson, 2004, p. 33-36). Additionally, special-purpose district creation serves to enable the state to continue its practice of pushing unfunded mandates to local governments. The more these local governmental

units meet the challenge of introducing alternative revenue sources, the more the state is likely to keep shifting, thus alleviating, its' financial obligation to newly established governmental units. The latter is advantageous for state and local elected officials because it ensures public goods and services are delivered to meet constituents' expectations. Reducing and/or eliminating services has likely negative implications, with the voices of disgruntled voters ringing loud and clear at the polls in the next election. But this dissertation links the creation of such districts to increasing property tax reliance. If the State of Illinois historically had not placed so many obligations on local governmental units, these municipalities might experience less pressure to form special-purpose districts or rely upon them.

***Path narrowing (or "closure")***

The third feature of path dependence that must exist is closure, which Bennett and Elman propose is a narrowing of the path, a potential point of no return. A primary influence or focusing event sets a given course, making it unlikely the trajectory can change, even with the introduction of corrective measures (Bennett and Elman, 2006). This dissertation explores several influences guiding the current path, including PTELL. PTELL is an important driver of path dependence, carrying the State and local taxing bodies along a road with lasting financial implications. Illinois's introduction of PTELL as an attempt to keep rising property tax rates at bay through the institution of tax caps seems to have exacerbated the problem of special-purpose districts. This

research examines whether PTELL encourages further reliance on special districts.

The implementation of PTELL has resulted in a great deal of policy discussion among diverse groups of stakeholders. Roughly a decade following its inception, the issue of whether property tax caps are serving taxpayers has come under scrutiny. While the issue has been on ballots in some counties since it was last adopted in 2003, no county has approved the measure since that year. Lawmakers have introduced PTELL reforms to address unforeseen consequences resulting from its adoption, but no revision measure has yet passed. As of 2022, 39 counties voted to approve PTELL between the 11-year period from 1991 and 2002 (Venhaus, 2016; Illinois Department of Revenue). No counties have adopted PTELL since 2002, with the legislation being voted on and rejected by two counties – Moultrie (2003) and Jersey (2015) - between 2003 and 2015. Thus, as I show below, counties adopting the PTELL restrictions have further narrowed the path by increasing reliance on special districts for tax revenues and local government services. Some legislators have publicly acknowledged that the legislation falls short of achieving its aim of holding down property tax rates and have introduced proposed fixes. None of the proposed fixes have passed legislative hurdles, showcasing this is not only a problem, but a prevalent and persistent one. This reinforces the application of path dependence in Illinois as an applicable theory to explain the State's current chartered course.

### *Constraint*

Evidence has shown PTELL has largely failed in its goal of holding down property tax bills, at least in low- to no-growth Illinois counties. In fact, the legislation has been linked to higher property tax growth than in non-PTELL counties (Jackson and Yepsen, 2016). At the time of its introduction, PTELL afforded an alternative to the existing property tax check of truth-in-taxation. Non-home rule taxing bodies in PTELL counties must keep annual increases to no more than 5% or the Consumer Price Index (CPI) for all urban consumers. Home rule taxing bodies are not subject to PTELL (Venhaus, 2016). It is noteworthy to recognize the state's constitution stipulates that school districts, townships, and special-purpose districts cannot have home rule powers (35 ILCS 200/18-185 through 35 ILCS 200/18-245). Illinois is the state with the greatest number of special-purpose districts in the nation, at 3,227, according to US Census of Governments report in 2012.

Constraint, the final element of path dependence for the purpose of this study, examines the costs associated with moving away from the current trajectory and the enormity of those costs (Bennett and Elman, 2006). A re-evaluation and reform of the current property tax structure has far-reaching implications in terms of costs beyond those of a monetary nature. Legislative proposals introduced to amend PTELL have yielded no serious property tax reform measures, nor have they stood a chance of passing in the Illinois legislature. It would require the investment of time and money, as well as bipartisan cooperation. In the current political climate, with the US being more

divided than ever in its history, and Illinois's legacy of bipartisan discourse, the question exists: Is property tax reform an improbability at this juncture in the state's history? It would require a unifying factor and benefits to legislators on both sides of the aisle.

### *The policy process: historical institutionalism and path dependence*

I explored the historical-institutionalist theory to uncover potential reasons purported by scholars that might explain high property taxes in Illinois. Under the lens of historical institutionalism, it is posited that policies made at the time an institution is created shape the institution's direction well into the future. Once a course is set, political pressure is necessary to alter the established path (Peters, 2019, p. 70). As one of the first underpinnings of institutionalism applied in the field of political science, throughout his groundbreaking work Hall identified the exigency to evaluate economic policy across time, focusing on France and Britain during the 1970s and 1980s (Hall, 1986). While not yet formally identified as historical institutionalism, Hall's assessment encapsulated the rudimentary principles of the theory, acknowledging the relevance of countries' histories from political and policy perspectives in the identification of long-standing economic policy-making patterns (Hall, 1986; Peters, 2019, p. 71-72). In this instance, historical institutionalism is examined through patterns as opposed to institutional evolution. As an extension of Hall's research, other scholars posed historical institutionalism as a theory to describe the impact of policy decisions on government performance over time.

Identifying limits on general-purpose government budgets, Downstate Illinois communities have realized a rise in the number of special-purpose and school district tax rates that have outpaced inflationary levels. Historical institutionalism, and the path dependence concept, can help us understand whether an upward tick in number of special-purpose districts across the State of Illinois explains the tax-rate increase in specific areas and seeks to explain why such increases are taking place. I evaluated path dependence as a historical-institutionalist theory to explain this phenomenon of policy inertia. A prominent social science approach focusing on timing, historical institutionalism examines sequences and path dependence affecting institutions, which shape social, political, and economic behavior and change. I examined restricted powers theory, a concept introduced by McCabe, as an influencing factor from a public policy standpoint.

***Data challenges and selection***

As referenced earlier, I collected, measured, and compared data on property taxes and number of special districts in Illinois from 1988-2020. This allows for a comparison of tax rates and special districts before and after the adoption of PTELL. Beginning the evaluation in 1988 allowed for adequate measure and evaluation of post-PTELL adoption, but an early enough analysis to pinpoint specific influencing events, such as the Great Recession of 2008. On closer inspection, it was clear the Great Recession served as a punctuating event, with most Illinois counties facing a flat or declining EAV in and around that year. This clearly resulted in an overall spike in property tax rates, most notably

in PTELL counties. While this phenomenon had been sufficiently noted on the qualitative side of analysis through the scholarly publication of works and popular media, seeing quantifiable support further guided the next steps of the research that was conducted.

For this research, I collected data on property taxes and special districts for each Illinois county from the IDOR and the US Census Bureau. Some data were collected via Freedom of Information Act (FOIA) requests, and then certain aspects of the data were verified with the IDOR in subsequent email conversations.

One facet of this analysis aimed to examine differences between the number of special-purpose districts within Illinois counties. As noted above in Table 6, during the data collection phase, it became clear no definitive source for accurate counts of special-purpose districts by year in Illinois exists, particularly at the county level. It appeared that the most accurate dataset for measuring the number of special-purpose districts comes from the Illinois Comptroller's office.[1]

One dependent variable I examine is the property tax rate in each county. Due to the inconsistency among agencies and organizations reporting the number of special-purpose districts in Illinois, I decided to create a second dependent variable, a measure of the reliance on special-purpose district taxation within Illinois counties. A measure was created, using data from the IDOR, which was a source that did maintain data going back to 1988, and that could be used for this study. This measure was calculated by dividing the total

[1] Illinois Office of the Comptroller. 2020. FOIA reports received.

amount of property taxes collected each year (IDOR data), into the amount of property taxes from special-purpose districts, including school districts among others falling under the special-purpose designation (also IDOR data). Therefore, this measure provides, by county and by year, the proportion of property taxes from special-purpose districts.

Additionally, US Census Bureau American Community Survey data were collected, cleaned, and prepared for visualization to compare differing groups of counties, and to evaluate the potential of confounding variables in subsequent analyses.

***Hypotheses***

To test the basic question as to whether PTELL legislation accomplishes its purpose, the first question evaluated was whether passage of PTELL within downstate Illinois counties had an impact on property taxes in those counties, and if so, whether passage of PTELL slowed the growth of property taxes, or decreased property taxes.

As indicated above, because economic policies take effect over time, taxes may be affected by economic factors which fluctuate over time, the effect of PTELL on property tax rates over time was explored. The hypotheses explored, based on the discussion above, were as follows:

The first hypothesis posits that PTELL counties would see a reduction in property tax rates over time, relative to counties that had not adopted PTELL. To analyze this question, the property tax rate was calculated in each county of

interest, by dividing the EAV for each county yearly, into the total property taxes reported.

Assuming PTELL had no effect on property taxes in the counties that had adopted it, or that the effect on property taxes would move in the opposite direction anticipated, the second area of inquiry was to examine whether this result was due to an increase in taxes from special-purpose districts. As discussed earlier, the initial goal was to examine whether there was an increase in the number of special-purpose districts following the adoption of PTELL. However, due to the lack of valid data, it was decided to measure the ratio of all property taxes from special-purpose districts as an outcome variable to explore this question. By measuring the rate of overall property taxes in each county that are attributable to special-purpose districts, this study was able to assess whether the proportion of property taxes in a county due to special-purpose districts increases in counties with PTELL, versus non PTELL.

Therefore, the second hypothesis is that there is a difference in the rate of property taxes to special purpose districts between PTELL and non-PTELL counties. That is, after adopting the PTELL restrictions, PTELL counties will increase their reliance on taxes from special districts compared to non-PTELL counties.

***Studying special-purpose districts in the US and Illinois***

According to Bollens' groundbreaking 1957 scholarly work, special-purpose districts—especially those falling within the non-school designation — "constitute the 'new dark continent of American politics'" (Bollens, 1957, p. 1).

The author noted this phrase had been used to describe counties in the early 1900s. Special districts, Bollens added, are organized and structured, with official names, perpetual succession, or the continuation of the organization regardless of death, bankruptcy, change in membership, and other legal factors. Rights afforded these governmental units include the authority to sue and be sued, initiate, and enter contracts, and acquire, transfer, or give away property. Such districts have elected leaders or ones appointed by elected officials. According to Bollens and other scholars, leaders have a high degree of public accountability, but appreciate a rather high degree of fiscal and administrative independence from other governmental entities and compared to them (Bollens, 1957; Trussel and Patrick, 2012, p. 589-591). Based on US Census of Governments data, the steady increase in the number of these districts during the last 70 years has created the reality in which special-purpose districts outnumber general-purpose units by nearly 2-to-1 (US Census Bureau, 2017). Former Illinois Governor Rauner's earlier referenced task force's proposed ways to revamp Illinois government by analyzing current data and comparing it with other states to propose reforms. While it reported that school districts received the lion's share of funding and deserved an independent and comprehensive analysis, this research examines the escalation in special-purpose districts in Illinois, since more property tax revenue is distributed to these taxing bodies than to counties and townships combined (Walzer, 2015, p. 163). Findings suggested that the number of special districts decreased slightly for many states, including Illinois (by 22 units, or by less than one-tenth of 1%) between 2007 and 2012. However,

for Illinois, other data suggested the number reported by the IRS and the US Census of Governments was low.

Increased property tax bills, along with higher income and sales taxes, and taxes placed on small businesses, have been cited by multiple media and academic sources, as well as survey respondents, as drivers of the state's sluggish growth. Four years before the 2020 US Census data was collected and reported, a December 2016 study from Illinois Policy Institute cited statistics it projected based on demographic surveys. It purported that as of the time of the study, one person was leaving the state every 4.6 minutes—at a greater number than the flight reported from the state of Michigan in the thick of the Detroit bankruptcy. The Illinois Policy Institute article further stated the Internal Revenue Service noted with each resident lost, there is a net loss of $30,000 in taxable income. The article had likened the exodus to losing all residents in the City of Peoria, the state's seventh largest city. It is akin to all those residents fleeing the state in one year (Berg, 2016; Jackson and Yepsen, 2016; Randolph, et al., 2015, p. 2-4). Population shifts or decline, or stagnation, as well as businesses exiting the state led to decreasing EAVs in hard-hit counties. When 2020 US Census Bureau statistics were released; however, it was determined this projected loss did not hold true (US Census Bureau, 2020). The budgetary impact of such economic changes result in a higher tax burden for residents who remain in the areas of population decline within the state.

The factors leading to higher property tax bills, as well as the state's unprecedented population stagnation, demonstrated path dependence as a

public policy feature offers a possible explanation for what has happened across the state since 1942. How and why property taxes have grown unusually high in a state like Illinois are important questions. Analyzing a county that is populated by a diverse citizenry and has a wide variety of governing bodies was a first step in understanding the factors that influence property tax rates statewide. Efforts to sidestep limitations placed on general-purpose tax districts, such as municipalities, counties, and townships, have ultimately led to the proliferation of special-purpose districts with the power to tax. This has driven property taxes up in a state mired in financial crisis. The policy dynamic has implications for fairness, and for the common interests of the state's citizens. It also has the potential to negatively impact future state and local fiscal solvency. While some scholars maintain there is some utility in using special districts to lower general-purpose levies, MacManus cautioned that without at least a partial consolidation of the tax base to halt additional fragmentation, "it is but a question of time before [local governments] deteriorate into economic graveyards" (MacManus, 1981, p. 1209). This can happen when the taxing ability of special-purpose districts goes virtually unchecked, while general-purpose governments continue increasing tax levies, with some annually pushing them near or to the maximum level allowed by law.

The scholarly works reviewed for the purpose of this dissertation support the case that an increase in the number of special-purpose districts in a state directly correlates to higher property tax bills within that state. Additionally, the more special-purpose districts that exist within a state, the more likely

government transparency is diminished, as fiscal accountability as it is afforded to governmental units through property tax allocation, is spread across taxing bodies. Each taxing body has its own special jurisdiction and duties; its own board and employees; its own levies and budgets. The greater the number of special-purpose districts, the more difficult it is for citizens to track where tax dollars are going and whether they are necessarily getting the benefit from economies of scale. By its definition, a special-purpose district is created to fulfill a singular community need. When a special-purpose district provides a service that also is offered by another governmental unit, taxpayers are paying for the service multiple times. Is this specialized service coming at the expense of economies of scale? Does this make financial sense?

An example of such duplication is a township road and bridge district. A county's highway department receives a portion of motor fuel tax and invests that money, reimbursing township road and bridge districts for specific purchases for which they budget each year. Taking a commodity such as salt as an example: Township road and bridge districts budget for such annual expense. But they receive money from the county, which is awarded by the state. Is this fair to taxpayers? Township Road and Bridge districts do not file annual financial statements with the IOC. In addition to the problem of governmental units providing duplicate services, another problem exists here. The state's more than 1,000 township road and bridge districts, which are special-purpose governments, are not part of the US Census of Governments reports. These units of government file their reports with their townships, and therefore are not

included in the comprehensive count. While taxpayers can see these districts on their tax bills, they do not see them reflected in reports from agencies tasked with capturing the true number of districts, which is misleading. It also serves to disarm scholars studying the composition of governments across the State. It is difficult to ascertain a true and comprehensive fiscal impact of this redundancy, as the picture is distorted when trying to examine economies of scale.

***How did Illinois come to rely so heavily on special-purpose districts?***

Changes to the Illinois Constitution passed in 1970 influenced available funding sources and removed the state's PPT obligation owed by individuals and business entities (Beard, 2016; Miller, 2005). Lawmakers also instituted Truth-In-Taxation hearing requirements in 1981 as a means of limiting tax increases (Hagaman, 2009). The introduction of Truth-In-Taxation requirements makes governmental units seek voter approval prior to levy increases of more than 5% in a year. Sadly, these changes did not stymie tax rate increases. This is evident from the introduction of tax caps by legislators after its imposition in 1981. Furthermore, some scholars have argued such measures imposed to curb growth have instead served as a catalyst, driving tax rates in the opposite direction over time with far-reaching implications through the formation of special-purpose districts across the state in the years that followed, and paved the way for path dependence. The creation of new districts has resulted in marked property tax increases over time. Increases in these districts, along with incremental increases to general-purpose districts during the eight-decade span by far outpaced inflation. As general- and special-purpose districts faced

budgetary constraints due to these changes in the law, they sought alternative revenue streams. One way around such limitations was through the creation of more special-purpose districts, with each one having its own budget, its own ability to borrow, tax, buy, sell, employ, and other authority that ends up costing taxpayers in the long term.

As in Illinois, states with a greater number of special-purpose districts, such as Connecticut, Nebraska, New York, Texas, Vermont, and Wisconsin, also have higher property tax obligations for residents (US Census Bureau, 2012). According to US Census data, between 1992-2012, Wisconsin saw the greatest increase in special-purpose districts, rising by 103%; the number of such districts increased by 47% in Vermont; 21% in both Connecticut and Nebraska; 20% in New York; 15% in Texas, and 11% in Illinois.

***Restricted Powers Theory and property taxes***

This research examined restricted powers theory as a possible explanation for the rise in special-purpose districts in Illinois, as well as in other states that are struggling financially. Restricted powers theory might apply and has the potential to explain many other policy issues in the fields of political science and public administration. This theory contends that state mandates make local units of government responsible for greater financial responsibility, placing a strain on local government budgets. In turn, this strain results in the formation of special-purpose districts. Once these districts are created, it results in a recurrent stream of revenue to pay for specific needs. The introduction of such districts means this new revenue stream accommodates the needs

identified by the unfunded State mandate, taking the financial obligation to pay for the good or service off the shoulders of the local governmental unit (McCabe, 2000). Joyce and Mullins contend that state restrictions limiting general-purpose units' debt also encourage the creation of these districts (Joyce and Mullins, 1991). While not identifying their assertions specifically as restricted powers theory, their assessment of the situation supports McCabe's earlier introduced conceptualization of the theory.

Some local governments are not able to increase their levies to accommodate these mandates without Truth-In-Taxation hearings. A municipality might need to increase its levy to improve infrastructure or build a new facility. While general- and special-purpose units have borrowing authority, the state restricts those powers. To increase levies, hearings are unpopular and alternative means to pay for projects are considered. One option explored by general-purpose governments is the creation of special-purpose districts, and this can lead to an increase in overall property tax bills. A new rate is added to tax bills. This rate increases over time as the financial obligation of the district grows. The rate rises in response to ordinary expenses related to the operation of a district, such as paying for an appointed governing board, employees, the purchase, rent, and/or maintenance of facilities, equipment, and other operational expenses, and more. Municipal pensions have been identified as a catalyst for increasing property tax bills across Illinois (Divounguy, et. al. 2019). Pension and unfunded state mandates such as prevailing wage requirements on building or maintenance projects, add to the district's funding needs.

It is important to understand that special-purpose districts are autonomous units of government in the sense that they have their own boards comprised of their own leadership, their own employees, their own budgets, their own rules and regulations, and often receive very little oversight. Once these units of government are established, it is nearly impossible to dismantle them. Transparency is not required at nearly the same level it is for general-purpose governments, such as cities, villages, counties, and townships. This is partly due to the limited visibility that special-purpose districts ordinarily received by the public. Constituents know about cities, villages, and to some extent townships; however, there is not as much attention given to these smaller, lesser recognized but ubiquitous forms of government.

As levies increase and budgets continue incrementally rising, it places a greater burden on property taxpayers. Such increases make property tax burdens greater and greater, thus squeezing people out of their homes. Those who remain absorb the greater burden placed on them by incremental levy increases, and they are then responsible for the greater responsibility of the tax burden created when homeowners move. Furthermore, as people move from communities, leading to population decline, those areas experiencing population loss might become depressed. These units of government maintain the same financial obligations despite population losses and a reduction in the market value of properties. These costs are spread out among a reduced constituency.

Furthermore, the fiscal burden of special districts tends to fall unequally on less wealthy citizens. While wealthier municipalities tend to have a lower annual

rate increase to their levies to provide for requested budgets, struggling and economically disadvantaged municipalities tend to push their levies to the allowable limits, or press for Truth-In-Taxation hearings to drive their levies higher. Once levies are pushed to the maximum 4.9% allowable rate without voter approval, future rates are set on increases to that new rate. This had historically increased levies beyond the previously normal inflationary rate of about 2% per year.

Madison County, Illinois served as an appropriate model to examine how property and income tax increases, and rising motor fuel and sales taxes across the board have led to a junk credit rating. The state has one of the worst credit ratings in the US and is among one of the highest per-capita tax states for all areas of taxation. Unfunded mandates on local general-purpose governments create financial hardship, which prompts these primary governments to establish new, special-purpose districts.

***Restricted powers and property taxes***

As it was acknowledged earlier in this dissertation, McCabe's findings concerning the rise in the number of special-purpose districts within states that have strong lobbying from real estate and development interests is important to understand when analyzing this complex topic, but arguably cannot be identified as the primary driver of this phenomenon. Developers might like special tax districts because they pay for infrastructure ahead of development, removing that expense for them to incur as part of construction projects. This is an important piece in understanding the placement of the policy issue on the agenda, or failure

to do so. Elite actors might be guiding resistance to policy change. Furthermore, this can explain policy inertia from a historical-institutional perspective.

It is important to note state tax caps placed on levying bodies in qualifying counties, especially general-purpose governments, have limited the amount of funds taxing districts may request and receive. Additionally, debt limits stymied the growth of general-purpose governments, arguably in some cases leading these units to create special-purpose districts, even in the form of Tax Increment Finance Districts and enterprise zones, to attract economic development and introducing alternative sources of funding for public services.

If restricted powers theory as posed by McCabe (2000) is correct, the more a state limits its municipalities' taxing, spending, and borrowing powers, the more likely it is that there will be a rise in the number of special-purpose districts within that state. Additionally, as suggested by Joyce and Mullins, states limiting local municipal debt also play a role in inspiring the establishment of such districts (Joyce and Mullins, 1991). Joyce and Mullins work served as an early architect in the application of this theory, illuminating a course for future scholars to build on their framework in the pursuit of knowledge.

As budget increases are guided by limitations to general-purpose district budgets, including a state's budgetary constraints and unfunded mandates, it restricts that unit's powers. These restrictions lead general-purpose districts to explore the creation of special-purpose districts to alleviate their budgets and pass the responsibility for certain services, such as fire protection, park maintenance, and library facilities, to another governmental unit. Special-purpose

districts for mosquito abatement, flood protection, and myriad other needs for the collective good of society historically had fallen on municipalities.

**Illinois: a downstate analysis**

To test my hypotheses about the localized impact of the PTELL law, I examine data on property taxes and special-purpose districts for Illinois counties. I start with a comparison of five southern Illinois counties that adopted PTELL, matched with five demographically similar southern Illinois counties that chose not to adopt PTELL. Then I expand the analysis to all 81 downstate counties, again comparing counties that adopted PTELL to counties that did not. Finally, I conduct separate analyses for high-growth and low-growth counties to test whether the impact of PTELL is limited to counties with high or low levels of growth in assessed property values.

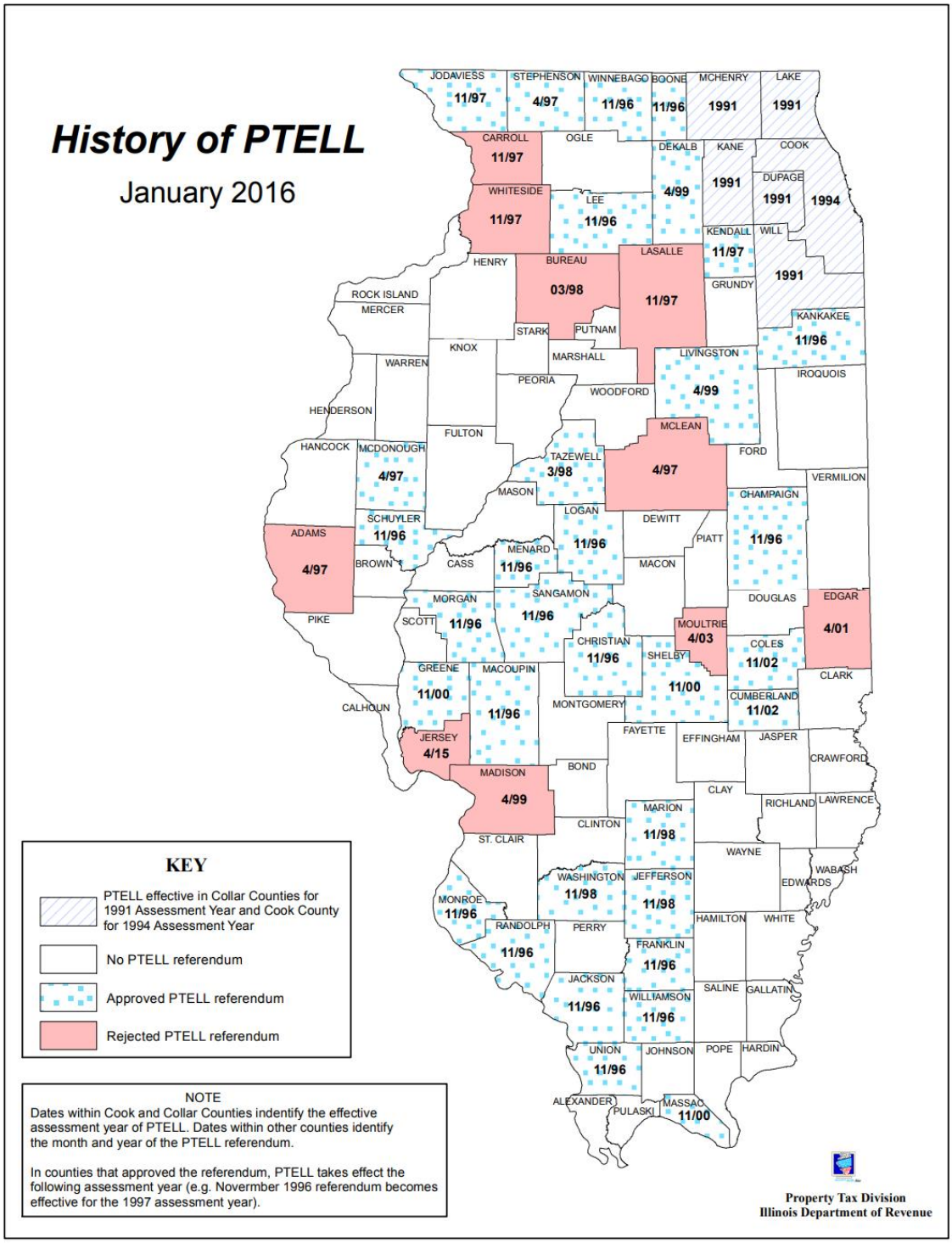
I am excluding the northernmost Illinois counties, particularly counties in the Chicagoland area, for a couple of reasons. Introduced to correct an unprecedented rise in property tax rate in Chicagoland, PTELL was adopted in Illinois' collar counties. Illinois' Chicagoland collar counties are among the wealthiest and most populous in the state. Including those counties in the analysis would skew the results when comparing the data against that collected in Downstate Illinois counties.

As explained earlier in this dissertation, introduced in 1990 by former Gov. Edgar during his first campaign for governor, PTELL sought to keep annual governmental unit-rate increases for qualifying municipalities at the National CPI or 4.9%; whichever is lesser (Hagaman, 2009). In terms of political strategy, the

PTELL proposal helped Edgar, who was from downstate Illinois, appeal to many voters in the Chicago area who were concerned about rapidly increasing property taxes. The goal of the legislation is to limit property tax increases for non-home rule municipalities to no greater than inflationary levels. Increases above 4.9% require voter approval by referendum in counties that have adopted PTELL. Upon passage of the voter referendum to adopt PTELL, the legislation applies to tax bills in the January of the year following the vote. Taxing districts may receive increases more than CPI for new construction, annexation to a district, upon obtaining voter approval to increase the extension limit for a specific levy year, or at the expiration of a TIF District (PIO-62 (R-02/12)).

Figure 2, created by the IDOR's Property Tax Division, shows the history of PTELL's passage across the State. The map illustrates which Illinois counties have adopted PTELL and the year of adoption. Additionally, the map denotes ten counties that voted on the PTELL referendum and rejected the legislation. Outside of the Chicago area, a geographically dispersed set of counties adopted the PTELL restrictions.

Figure 2: Map of PTELL Adoption in Illinois




No counties have adopted the legislation since 2002, with the last county's voters rejecting the initiative in April of 2007. Legally, Illinois counties may

rescind PTELL by a voter referendum after its implementation (PIO-62 (R-02/12)). While this power exists by voter referendum, no Illinois county has done so to date.

As part of this dissertation, I examine Jackson County, which includes a college town, ranks 24th in state population and adopted PTELL in 1996, at the midpoint of adoption. Included in this county is Carbondale, home to Southern Illinois University Carbondale (SIUC). Carbondale's population is 25,376. It is comparable in size to Edwardsville, home to SIUC's sister school, Southern Illinois University Edwardsville. Additionally, Southern Illinois counties and PTELL's realized lasting implications through higher tax bills and a pronounced increase in special-purpose district tax rate.

St. Clair County, Madison County's neighbor, also was examined. Ranking the State's ninth most populace county with 259,686 people as of 2018, provided additional support of the theories posed. St. Clair County is home to the City of Belleville, with a population of 41,290 as of 2018. Additionally, this county includes Centerville with a population of 4,965 in 2018 and East St. Louis with a population of 26,346 as of 2018. These communities rank as the first- and second-poorest communities in Illinois. Adding another non-PTELL county to the mix of those being examined allowed for a more complete cross-demographic comparison.

Scholten noted a mix of special-purpose districts, townships and road districts comprise roughly 62% of total governmental units, while collecting just 13% of the total property taxes in the State. He added consolidation of these

taxing districts might only decrease property taxes by about 6.3%. Meanwhile, he pointed to school districts as making up 15% of total taxing districts in the state, while collecting 62% of taxes (Scholten 2022). For this reason, school districts cannot be ignored. But a complete analysis of all non-general-purpose districts must take place to determine the appropriate steps to consolidate governmental units.

**The case of Madison County, Illinois: urban v. rural, poor v. wealthy**

Madison County is a place worthy of examination because it offers a microcosm, a true mix of state demographics. There is a mix of more and lesser-educated. There are wealthier citizens and less economically advantaged. There are those who reside and have businesses in urban, as well as rural communities. As was previously referenced, Madison County was selected for examination to explore the situation of special districts because it offers an example of the effects of path dependence, showcasing a mix of poor and wealthy communities in both urban and rural areas. The region presents a broad range of populations, income levels, and therefore tax bases, making it an ideal case study (Table 6) Illinois is Chicago-dominated and that property-tax system, which might make sense in urban areas, can be applied to all other counties in that there are sections of urban and rural in all of them, with cities and villages being more populous. Madison County serves as a microcosm of Chicago as the state's "other" major urbanized area.

Table 6

*2016 American Community Survey Population Demographics*

| Governmental Unit | 2016 ACS Population | Population Change from 2012 | Poverty Level | High School Education or Greater |
|---|---|---|---|---|
| Madison County, IL | 265,759 | -1. 3% | 13. 3% | 93% |
| Granite City, IL | 28,908 | -3. 2% | 17. 3% | 89% |
| Alton, IL | 26,861 | -3. 8% | 28. 1% | 90% |
| Edwardsville, IL | 25,071 | 2. 9% | 13. 7% | 97% |
| Troy, IL | 10,093 | 2. 1% | 5. 5% | 97% |
| Highland, IL | 9,830 | -0. 9% | 9. 9% | 91% |
| Maryville, IL | 7,904 | 5. 6% | 7. 2% | 96% |
| Pontoon Beach, IL | 5,609 | -3. 9% | 17. 4% | 90% |
| Madison, IL | 3,825 | -2. 0% | 34. 0% | 81% |
| Venice, IL | 1,898 | -2. 6% | 37. 0% | 84% |
| Hamel, IL | 1,015 | 24. 0% | 3. 0% | 99% |
| Illinois | 12,830,632 | -0. 2% | 14. 0% | 88% |
| U.S. | 318,558,162 | 3. 0% | 15. 1% | 87% |

Sources: 2016 U.S. Census Bureau American Community Survey; 2016 Madison County Final Levy Report.

From 2001 to 2016, property tax collection from Madison County, Illinois special-purpose districts increased from $20,973,731.59 to $ 43,788,172.05, reflecting a 109% increase across a 15-year period. Additionally, during this 15-year span, more than 40 TIF Districts were introduced, generating $26,485,010.14 (Madison County Clerk, 2002; Madison County Clerk, 2017). According to the 2016 property tax collection report based on the 2015 tax collection year, a total of $405,864,312 was collected and distributed in Madison County. For that tax collection year, distribution throughout Madison County was allocated in the following way: 54% to school districts; 11% to cities and villages;

9% to Madison County governments; 8% to other districts, such as libraries, bridge funds and levy districts; 7% to community colleges; 6% to TIF districts, and 5% to township governments. New accounts and scholarly works were examined to explain the impact of the Great Recession on 2008 tax bills, as well as trends for the years that followed. This punctuating event demonstrated that when historically high-growth counties faced financial hardship, their property tax practices mirrored those of the low- to flat-growth counties.

Madison County experienced a nearly 122% increase in property tax bills between 1996-2015. Many reasons have been given to explain why property tax bills in US states have increased during this time. While rising property values have been given as one exacerbating factor leading to higher tax bills, sources contend the amount paid in property taxes has outpaced inflation, with local liability due to unfunded government mandates such as pension obligations playing a significant role in driving up bills.

Why has the number of special-purpose districts grown at such a staggering rate? I explored scholarly publications to determine hypothesized reasons offered for the growth of these districts. First, Trussel and Patrick contend that states with greater levels of constitutional restrictions of the levying capacity on general-purpose districts are most likely to introduce special-purpose districts. The authors explained that once established, rarely are such districts dissolved (Trussel and Patrick, 2013, p. 589-590). McCabe proposed reasons for the growth in the number of special-purpose districts and those have been explained. In his 1957 scholarly work, Bollens suggested this is a catch-twenty-

two. In fact, it appears to be. He cautioned that in the 1940s, counties were seen as the problem at the end of the 19th Century. But he noted the turn of the 20th Century saw the next level of government which took center stage. Those were special-purpose districts. Bollens' work served as an oracle, heralding the challenges states would face as an extension of district creation 65 years after it was written.

As has been referenced, McCabe introduced the concept of restricted powers (2000), which applies as states impose increased financial obligations on governmental units. It further purports that at the same time unfunded mandates are introduced, governmental units must find alternative sources of revenue outside planned budgets to meet those state-imposed directives. While McCabe did not formally develop a theory based on the concept she introduced, it can be argued restricted powers theory explains a public sector reality. Whereas non-profit organizations might seek help from donors and for-profit entities may raise prices to cover unanticipated costs, governmental units only have tax revenue as a sustainable means of closing budgetary shortfalls. Restrictions on funding sources cause governments to examine whether a reduction in spending is an option, or whether introducing a special-purpose district might be a proper course of action. While other scholars, including Trussel and Patrick (2013) and Joyce and Mullins (1991), have identified similar challenges as McCabe described, an academic definition for this type of situation has not been provided. The explanations they provide concerning restricted powers municipalities face due to states' policy shifts is part of the puzzle in understanding this issue, supports

McCabe's initial introduction of this theory and ties in with the application of path dependence. Both are plausible applications to explain Illinois's incremental rise in number of special-purpose districts through the years, as well as the parallel rise in property tax bills that consistently outpaces inflation. Both are worthy of examination to answer.

One limitation in this approach to examining the issue posed was that county clerks only maintain so many years of levy information on their websites. Additionally, levy data for communities, both restricted and not restricted by PTELL, should be examined with specific attention paid to low-growth EAV. Hundreds of tax bills for municipalities within multiple counties across the state were compared, finding similar demographic compositions. This was done for counties in which PTELL was an influencing factor, as well as in counties where it was not. The community-level analysis supported the case for path dependence and restricted powers theory, showing how the four parts of path dependence as explained in this dissertation exist. It supported the findings that the state has charted its course. In PTELL counties, this course might be irreversible without amending the legislation. But for those counties, as well as the state, property tax reform is vital to ensure the state does not become a wasteland of economic graveyards for years to come.

**Special-purpose districts, including school districts in Illinois – a closer look**

Based on a review of 2020 information from the IDOR, general-purpose governments, villages, and cities collected 15% of property taxes collected.

Special-purpose districts received 11% of the pie. School districts received 64%. Together special-purpose districts, including school districts, absorbed nearly three-quarters of property tax bills. Examining school districts as a type of special-purpose district identifies an area for potential consolidation and/or dissolution to reduce bills.

The more limited those powers, the more likely the formation of special-purpose districts. It is important to acknowledge some empirical studies have refuted this theory (Burns, 1994; Foster, 1997). Foster maintained that nationally, there have traditionally been fewer special districts formed in states with home-rule powers. In 1992, she noted, roughly 60% of special-purpose districts in US states served residents within a single county and were not connected with other local governments in contiguous areas (Foster, 1997.) McCabe surmised based on Foster's work that a state's home-rule authority makes creation of new special districts less likely, because counties are better able to handle the delivery of services to residents (McCabe, 2000, et al., p. 122-125). If this is true, it would support the theory that consolidation of some local governments to remove bureaucratic layers could bring about more efficient, less costly government, thus, breaking the cycle of path dependence that facilitates high levels of property tax reliance.

As McCabe noted, many fiscal restriction studies focus on a single-type of restriction, such as a property tax-rate limit, which is placed on a single-governmental unit, such as a city or village. She argued it is multiple restrictions—including property tax-rate limits, as well as state limits on local debt

or spending, along with assessment increases—that can constrain local fiscal powers, thus, prompting the formation of special-purpose districts in direct response (McCabe, 2000, p. 122). Ordinarily, she noted, when states limit the fiscal power of cities, counties will take on some of the more urban service delivery expectations; however, when the fiscal authority of both cities and counties is tethered, general purpose governments are not empowered to handle community needs, thus, potentially inspiring the creation of special-purpose districts. The restricted powers theory maintains the more a state inhibits its cities and counties in their ability to tax, spend, or borrow, the more inclined those municipalities will be to form new special-purpose districts (McCabe, 2000, p. 122-128). If the restricted powers theory holds true, it supports the notion that economies of scale are not achieved, resulting in a balance tipping over the years. Some scholars suggest a consolidation of some layers of government might help states bring about more efficient, cost-effective delivery of services to taxpayers (Walzer, 2015). In fact, this might be what Illinois needs, including the dismantling and consolidation of some general-purpose layers, in addition to special-purpose governments.

It is important to note the restricted powers theory does not in itself explain the proliferation of special-purpose districts among states over the last 70 years, and how these units take on roles and responsibilities that traditionally have belonged to general purpose governments. What it does explain is the phenomenon of increased reliance on special districts: How state limitations and restrictions on funding sources, coupled with the imposition of unfunded

mandates, creates a challenging climate for general-purpose municipalities. In response, these municipalities will turn to other funding sources, such as special-purpose districts, as well as the formation of TIF Districts and Enterprise Zones, which could be classified and categorized as a type of special-purpose government since they are supported through property tax dollars. Once established, as Bollens cautioned, such districts are difficult for states to dismantle (Bollens, 1957). As explained previously, these governments have their own levels of indebtedness, and their right to tax and increase levies annually.

Path dependence more aptly explains how the course that has been set in motion after decades of reliance and the relatively unchecked introduction of such districts nationally, and Illinois in particular, has paved the way for greater property tax reliance, government inefficiencies, and the prospect of fiscal distress in years to come. This is especially true in communities hardest hit by population decline, and fiscal distress in such communities is almost a certainty as artificially inflated EAVs drive residents out in search of more affordable housing.

Illinois Policy Institute research showed that since 1990, property taxes in Illinois have increased three times faster than the state's median household income. This is while state-imposed unfunded mandates have been on the rise, increasing expense to businesses and family budgets across the state during this same time. The state's larger fiscal crisis has reduced assistance to local governments, while tapping out income and sales taxes. Increased demand

experienced by local school districts has left leaders with little choice but to seek greater revenue through property taxes (Randolph, et al., 2015, p. 1-2). In a survey of 500 municipalities across the state, which included counties, townships, fire protection and parks districts, community colleges, and school districts, the unfunded mandates imposed by the state identified to be the most cumbersome included public pension obligation, collective bargaining and interest arbitration, and workers' compensation.

Findings from the survey conducted by the Northern Illinois University Center for Government Studies (NIU-CGS) indicated five municipalities recognized police and fire pensions as the costliest at more than $1 million per year. Four municipalities disclosed that the inability to bargain with the state government has resulted in an annual cost of $500,000 to $1 million per year. If all of the 500 governmental units surveyed reported $50,000 in unfunded mandates, it would result in $2.5 million in unexpected costs to taxpayers. Not one of the responding municipalities reported a cost estimate below $50,000 per year.

Table 7, below, identifies the average burden by rank identified by Illinois municipalities and the average annual cost range for each.

Table 7

*Prioritization of mandates by Illinois municipalities.*

| Mandate Type | Average Burden Rank (1-9, most to least) | Average Annual Cost Range |
|---|---|---|
| Public Pensions | 2. 0 | $100,000-$250,000 |
| Collective Bargaining & Interest Arbitration | 3. 7 | $50,000-$250,000 |
| Workers' Compensation | 3. 9 | $50,000-$100,000 |
| Health Insurance | 4. 2 | $50,000-$250,000 |
| Prevailing Wage | 4. 6 | $50,000-$100,000 |
| Procurement Rules | 6. 0 | $50,000-$100,000 |
| Personnel | 6. 2 | $100,000-$250,000 |
| Public Notifications | 6. 7 | $50,000-$100,000 |
| Training | 7. 7 | <$10,000 |

Source: Local Government Consolidation and Unfunded Mandates Task Force (Illinois Munipal League).

About 58% of municipalities surveyed indicated costs for this obligation would exceed $1 million annually. This amounts to more than $290 million in direct costs to taxpayers. About 33% of responding municipalities identified collective bargaining and interest arbitration as costing between $50,001 and $100,000, and 27% noted the cost was between $100,001 and $250,000. A total of 42% of respondents estimated costs for workers' compensation to be between $500,000 and $1 million. About 67% of respondents estimated the annual expense of mandatory public notification was at least $10,000 (Walzer, 2015, p. 18-22). This is an annual expense of $3.35 million for less than 10% of all of Illinois' governmental units.

Additionally, I evaluated school districts to identify potential future impacts of these budgetary constraints, which then could be used to support the posed

hypotheses, as well as to make the case for path dependence and restricted powers theory.

## Methodology and results

### *Qualitative review and quantitative test indicating if "causal possibility" exists*

As referenced earlier, for path dependence to apply, causal possibility must exist. For causal possibility to be present there should be more than one avenue that could be pursued. Also as explained earlier, since at least the 1960s lawmakers have been aware of the problem associated with so many taxing bodies in Illinois. Lawmakers in fact knew of the high number of special-purpose districts in the state and identified it as a problem. It was this awareness that inspired changes within the Illinois Constitution in 1970 (Hagaman, 2009; Joint Committee on Legislative Support Services, 2003). The state could have continued the course chartered prior to 1970, but instead decided to take a new direction. This indicates from a qualitative standpoint, lawmakers identified a problem and tried to address the issue through course correction.

*Exploratory analysis: 10 Downstate Illinois counties*

Realizing the population and economic dynamics in Chicago and the Collar Counties could confound quantitative results, I conducted a more customized analysis of 10 Downstate Illinois counties. Due to the number of counties and amount of data involved in an overall analysis of downstate counties, an exploratory analysis compared five selected downstate counties with PTELL to five geographically similar downstate counties without PTELL. The

following table identifies the counties, along with their PTELL status and populations.

Table 8

*Comparison of population between PTELL and non-PTELL counties (10 county subset)*

| PTELL Counties | Population | *Non-PTELL Counties* | Population |
|---|---|---|---|
| Macoupin | 44,967 | Madison | 265,859 |
| Greene | 11,985 | Montgomery | 28,288 |
| Jackson | 52,974 | St. Clair | 257,400 |
| Randolph | 30,163 | Perry | 20,945 |
| Monroe | 34,962 | Clinton | 36,899 |

The table below shows the demographic composition of the counties examined for analysis. The averages matched mostly along percent living in poverty and the percentage of those aged 25 and older having attained at least a high school education. Median income was slightly lower for PTELL counties versus non-PTELL counties, and the percentage of residents identifying as non-white was higher in non-PTELL counties than in PTELL counties. The racial demographic makes sense given two larger, more urban counties are listed in

the non-PTELL category:

Table 9

*Measure of select demographic measures, PTELL and non-PTELL counties (10 county subset)*

| PTELL Counties | % Nonwhite | % Poverty | Median Income | % HS or Greater, 25+ |
|---|---|---|---|---|
| Macoupin | 6.42% | 10.8% | $53,312.00 | 91.60% |
| Greene | 4.11% | 13.3% | $51,242.00 | 92.80% |
| Jackson | 27.94% | 17.2% | $45,608.00 | 92.60% |
| Randolph | 15.04% | 12.0% | $56,867.00 | 84.80% |
| Monroe | 6.03% | 4.1% | $90,880.00 | 95.80% |
| AVERAGE | 11.91% | 11.5% | $59,582.00 | 91.50% |
| Non-PTELL Counties | | | | |
| Madison | 18.58% | 11.0% | $63,903.00 | 93.40% |
| Montgomery | 8.54% | 13.5% | $59,497.00 | 88.10% |
| St. Clair | 40.41% | 13.8% | $61,863.00 | 94.50% |
| Perry | 14.45% | 15.1% | $53,503.00 | 89.10% |
| Clinton | 10.34% | 7.1% | $71,883.00 | 90.20% |
| AVERAGE | 18.46% | 12.1% | $62,456.00 | 89.90% |

I attempted to match counties based on similar demographic composition and proximity to large universities. The statistical comparisons of the demographic composition between PTELL and non-PTELL counties are as follows:

Table 10

*Comparison of demographic variables between PTELL and Non-PTELL adopting counties (10 county downstate-Illinois dataset).*

| Demographic Variable | Average PTELL Counties (N=5) | Average Non-PTELL Counties (N=5) | t | *p* |
|---|---|---|---|---|
| Percent below poverty | 11.5% | 12.1% | 0.242 | 0.407 |
| Median income | $59,582 | $62,456 | 0.338 | 0.372 |
| Percent white population | 88.1% | 81.5% | -0.903 | 0.804 |
| Percent of high school graduates | 91.5% | 89.9% | -0.603 | 0.718 |

I found no significant differences between the groups of counties based on basic demographics. In addition, I selected two of the counties from each group because they had low- to no-EAV-growth over the course of the period studied. The two low- to no-growth EAV counties subject to PTELL were Macoupin and Greene. The low- to no-growth EAV counties not subject to PTELL were Montgomery and Perry. Low- to no-growth EAV are those with growth below the statewide average. I assigned low- to no-growth EAV counties a value of 0 and high-growth counties a value of 1. Each of the other three counties in both groups had higher EAV growth over the study period. I did this so that the groups were matched in a stratified way, on levels of economic growth.

Having examined and compared the basic demographic variables between the groups, the hypothesis was studied empirically: that PTELL would have no impact on property tax rates in counties that had adopted PTELL, versus the alternative hypothesis that PTELL counties would see a reduction in property tax rates over time, relative to counties that had not adopted PTELL. Relative to

causal possibility, there can be two paths – counties can choose to adopt PTELL or not. To test the first hypothesis, property tax rates over time between PTELL and non-PTELL counties was plotted, and tested:

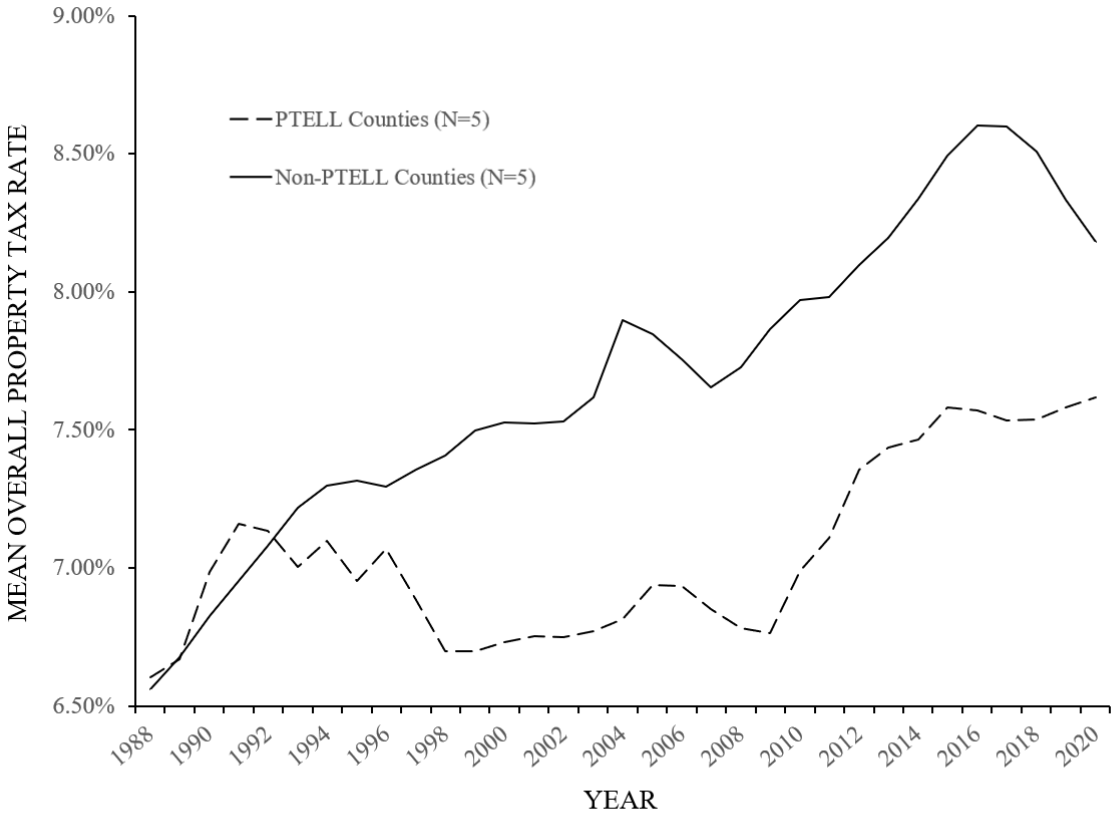



*Figure 3.* Mean overall property tax rate by year, counties that had adopted PTELL versus counties that had not adopted PTELL, selected 10-county, downstate-Illinois dataset.

Visual inspection of the data suggested less growth in property taxes over time in PTELL counties, compared to non-PTELL counties (see Figure 3). Both sets of counties begin the period with similar property tax rates, but tax rates in PTELL counties lag behind other counties starting in the late 1990s. Furthermore, it appears that PTELL counties delayed significant property tax increases until roughly 2010, while property taxes increased steadily in non-PTELL counties throughout the past twenty years. However, visual inspection

alone cannot adequately tell the story. Therefore, to test whether there is a significant difference between the two groups, over time, a repeated-measures analysis of variance (ANOVA) was performed. ANOVA is an appopriate test in this situation, because the data points over time are equally distanced (i.e., each year), and because there are data for all counties for all years, offering a completely balanced design. There was one factor in the repeated-measures ANOVA (PTELL), which was measured as the presence (1) or absence (0) of PTELL within a county. In addition, there was one repeated-measure, YearNum (year of measurement, between 1988 and 2020). The outcome measure was the overall property tax rate within each group, by year.

Table 11

*Repeated-measures ANOVA results using overall property tax rate as the criterion (10 county subset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 0.027714 | 73 | 0.000380 | 22.83 | 0.0000 | |
| PTELL | 0.003306 | 1 | 0.003306 | 1.48 | 0.2587 | |
| CountyNo \| PTELL | 0.017891 | 8 | 0.002236 | | | |
| Year | 0.005288 | 32 | 0.000165 | 9.94 | 0.0000 | |
| PTELL x Year (Interaction) | 0.001228 | 32 | 0.000038 | 2.31 | 0.0002 | |
| Residual | 0.004258 | 256 | 0.000017 | | | |
| Total | 0.031971 | 329 | 0.000097 | | | |
| $R^2$ | | | | | | 0.8668 |
| Adjusted $R^2$ | | | | | | 0.8289 |
| No. Observations | | | | | | 330 |

The results of the ANOVA indicate that there was no statistically significant difference in average property tax rates between PTELL and non-PTELL counties at the beginning of the time period (f = 1.48; p =0.2587). There

was a significant effect of year (f = 9.94, p = 0.0000), however this is not terribly meaningful, as it indicated only that property taxes generally increased over time in the counties measured. Overall, visual inspection of the data suggested that there may be a difference in overall property tax rates over time, with PTELL counties not having as much growth in overall tax rates as the non-PTELL counties. This interaction is statistically significant, as can be seen by the significant interaction term between PTELL status and year (f = 2.31, p = 0.0002). This indicates there is a differece in the rate of increase between PTELL and non-PTELL counties in this subset. While the ANOVA did not detect a statistical effect overall of the mean difference between PTELL and non-PTELL counties, there was a difference which increased over time, to become significant. In other words, non-PTELL counties saw a rate of increase in overall property taxes over time, which increased significantly faster than the rate of increase in overall property taxes in PTELL counties. It is noteworthy that the change in the rate of increase between the two groups occurs in the late 1990s, shortly after the time counties began adopting PTELL. The mean square for year is much greater than the mean square for the interaction, meaning property tax rates rose more quickly across time in non-PTELL counties than in PTELL adopters.

However, it is important to note in this information that while there was no measurable difference in mean property tax rate between PTELL and non-PTELL counties averaged over time, property tax rate growth was slower over time in PTELL counties. This suggests that PTELL partially succeeded in slowing the

growth of property tax rates through the imposition of tax caps in PTELL counties. Thus, PTELL had a measurable effect on one outcome.

*Full study: all downstate counties*

Having shown that the study hypotheses could be analyzed in a rigorous and empirical manner in the exploratory study, the test was expanded to all downstate counties (N = 81). As identified above, counties included in the downstate category were those located south of Interstate 80, in Illinois. The counties are identified as downstate because they lie south of the Chicago metropolitan area and the collar counties. The counties that encompass Chicagoland, which include those above I-80, are more populous and have a much larger tax base. Furthermore, they adopted PTELL earlier than other counties. Additionally, the demographics in this vastly populated urban area make it difficult to compare to counties lying outside Chicagoland due to significant demographic differences.[2]

Again, as with the exploratory 10-county study, I examined the demographics between all downstate counties for differences that could indicate these are confounding variables. Variables tested included percent living in poverty, median income, percent identifying as non-white, and percent aged 25 and older with a high school diploma or greater level of education:

[2] Similar results are obtained when all Illinois counties are analyzed.

Table 12

*Comparison of demographic variables between PTELL and Non-PTELL adopting counties (81 county downstate-Illinois dataset).*

| Demographic Variable | Average PTELL Counties (N=26) | Average Non-PTELL Counties (N=55) | t | *p* |
|---|---|---|---|---|
| Percent below poverty | 12.1% | 12.3% | 0.206 | 0.419 |
| Median income | $59,310 | $56,175 | -1.528 | 0.935 |
| Percent white population | 87.5% | 88.4% | 0.427 | 0.335 |
| Percent of high school graduates | 91.4% | 89.8% | -2.124 | 0.982 |

Having found no significant differences between PTELL and non-PTELL counties on these demographic measures, I examined the overall property tax rate over time, between PTELL and non-PTELL counties.

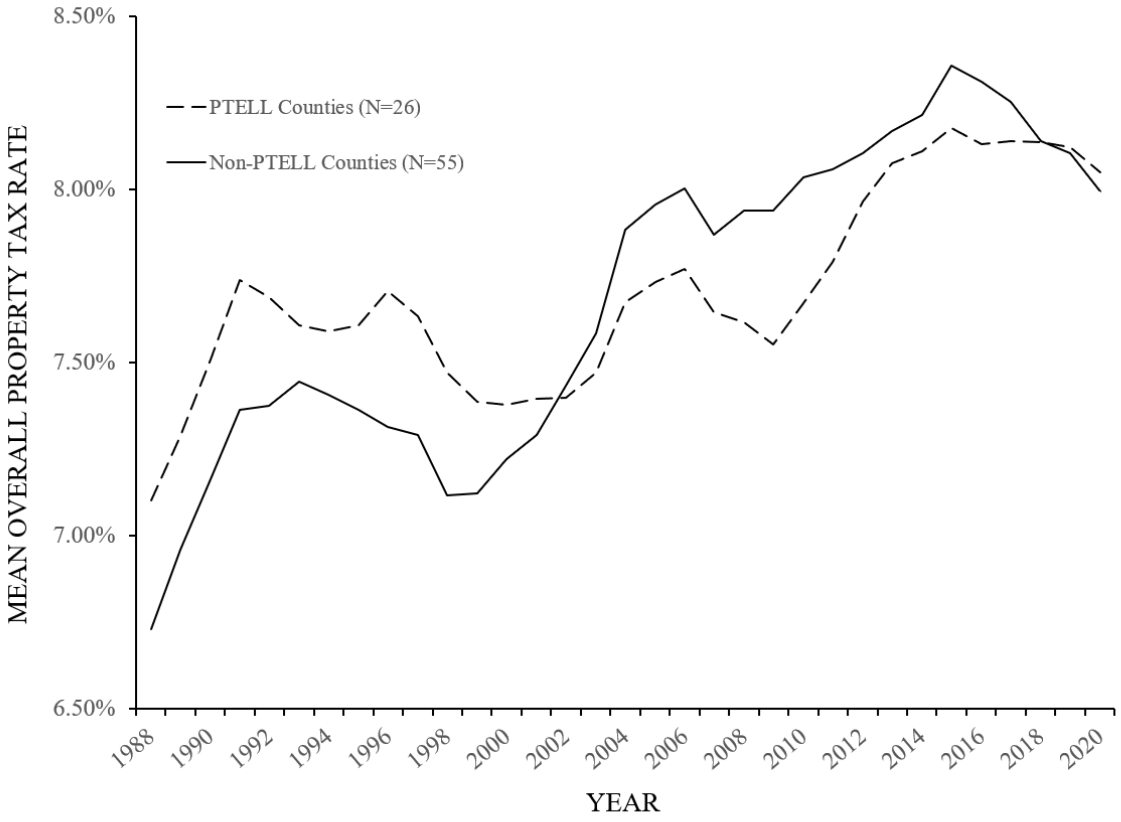



*Figure 4.* Mean overall property tax rate by year, counties that had adopted PTELL versus counties that had not adopted PTELL, 81 downstate-Illinois counties.

On this expanded, full downstate dataset, visual inspection again suggested that there is a small difference between PTELL and non-PTELL counties, over time, in terms of changes in overall property tax rates (Figure 4). In the early 1990s the property tax rate is slightly higher, on average, in the PTELL counties, but after 2000 the average property tax rate is slightly higher in the non-PTELL counties. Mean property tax rates in each group of counties are increasing over time, and there are very slight differences between the curves. Additionally, the two trendlines cross multiple times during the study period, suggesting that there is not a large meaningful difference. I conducted a

repeated-measures ANOVA to determine whether there was any statistically significant difference between the two groups over time.

Table 13

*Repeated-measures ANOVA results using overall property tax rate as the criterion (81 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 0.223674 | 144 | 0.001553 | 80.83 | 0.0000 | |
| PTELL | 0.000037 | 1 | 0.000037 | 0.02 | 0.8992 | |
| CountyNo \| PTELL | 0.181106 | 79 | 0.002294 | | | |
| Year | 0.028664 | 32 | 0.000896 | 46.61 | 0.0000 | |
| PTELL x Year (Interaction) | 0.003510 | 32 | 0.000110 | 5.71 | 0.0000 | |
| Residual | 0.045810 | 2,528 | 0.000019 | | | |
| Total | 0.272255 | 2,672 | 0.000102 | | | |
| $R^2$ | | | | | | 0.8216 |
| Adjusted $R^2$ | | | | | | 0.8114 |
| No. Observations | | | | | | 2,673 |

As with the exploratory 10-county study, there was not a significant difference between PTELL and non-PTELL counties at the start of the period of study (f = 0.02, p = 0.8992). This, coupled with visual inspection, lead to the conclusion that in Downstate Illinois, the PTELL counties and non-PTELL counties had similar property tax rates when the legislation was passed in 1991.

There was a significant effect of time (f = 44.61, p = 0.0000), again simply indicating that overall property tax rates increased across time. However, there was also a statistically significant interaction between PTELL status and year (f = 5.71, p = 0.0000). This indicates that the overall rate of increase in property taxes between PTELL and non-PTELL counties was not the same over time. The

statistical analysis confirms that property taxes rose at a faster rate in non-PTELL counties than in PTELL counties. This supports one of the goals of the authors of the PTELL legislation.

I next tested the second hypothesis on the original 10 county pilot dataset, to determine viability: whether the share of property taxes due to special-purpose districts was the same over time between PTELL and non-PTELL counties, versus the alternative hypothesis that there was a difference on that measure between PTELL and non-PTELL counties. For this analysis, the outcome variable was the share of property taxes in each county coming from special-purpose districts. As noted above for these analyses special-purpose districts include school districts.

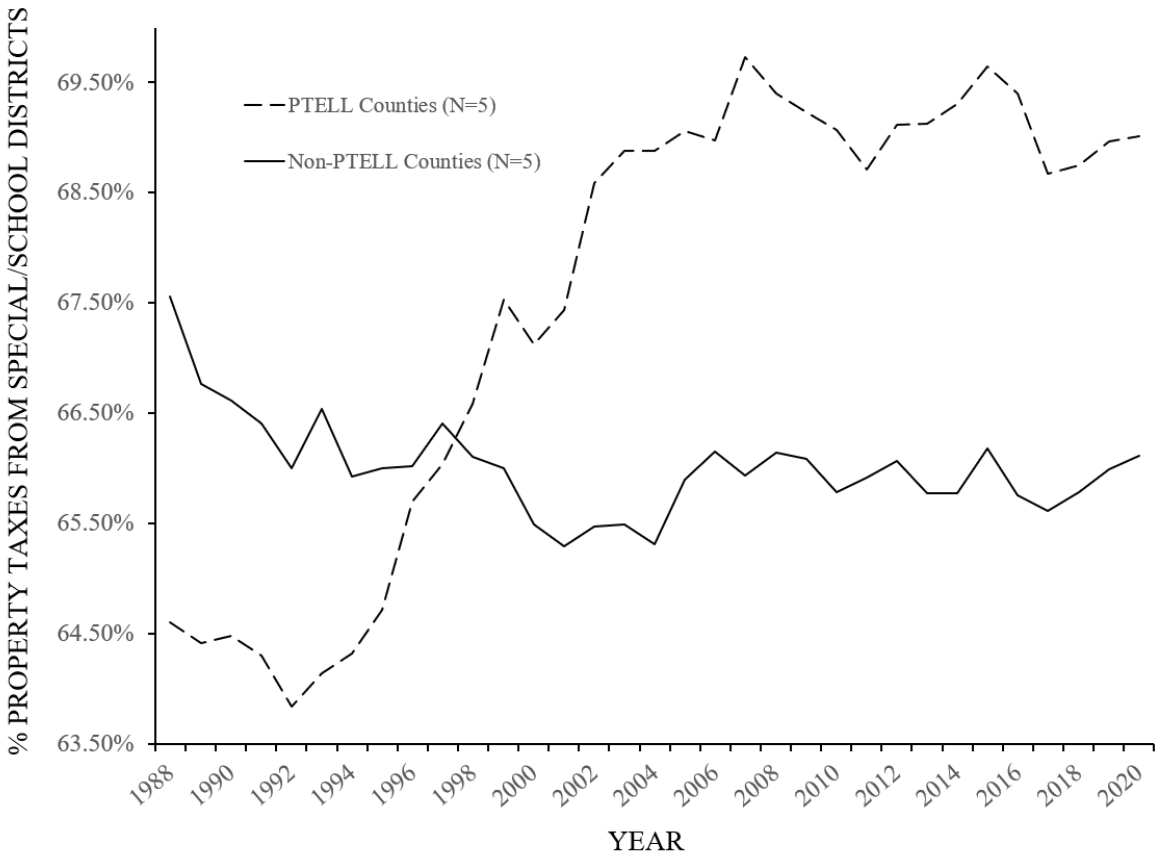



*Figure 5.* Mean percent of overall tax rate from special purpose and school districts, counties that had adopted PTELL versus counties that had not adopted PTELL, selected 10-county, downstate-Illinois dataset.

Visual inspection of these data showed a stark difference (Figure 5), where share rate of property taxes from special-purpose districts was initially lower in the PTELL counties, and then over time dramatically jumped, in an apparent correlation with the point in time in the 1990s when the counties adopted PTELL. In contrast, the rate of property taxes from special-purpose districts remained stable over time in counties that did not adopt PTELL, or arguably even experienced a slight drop over time. It is important to note the comparison is based on all 10 counties in the exploratory analysis, which indicated this phenomenon was experienced by counties identified as both high- and low-EAV.

This difference in the amount of taxes from special-purpose districts in PTELL counties could explain the seeming lack of success of the PTELL tax caps within those counties. If general purpose governmental units such as cities, townships, and the county itself, were limited in the amount of tax increases they could impose, then perhaps those regions sought additional revenues through either (a) an increased number of special-purpose districts, or (b) increasing taxes within special-purpose districts that had not previously maximized their taxing potential.

To determine whether this observed phenomenon is statistically significant, a repeated-measures ANOVA was conducted. The results of this ANOVA showed no significant main effect for PTELL at the start of the period ($f = 0.65$, $p = 0.4442$). However, because visual inspection demonstrated quite obviously that the trends of the outcome measures crossed over time, this lack of substantive difference could reflect that the averages between the two groups (averaged over time) were not significantly different.

Table 14

*Repeated-measures ANOVA results using proportion of property taxes from special purpose districts and school districts as the criterion (10 county subset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 0.317887 | 73 | 0.004355 | 12.13 | 0.0000 | |
| PTELL | 0.018494 | 1 | 0.018494 | 0.65 | 0.4442 | |
| CountyNo \| PTELL | 0.228454 | 8 | 0.028557 | | | |
| Year | 0.027556 | 32 | 0.000861 | 2.4 | 0.0001 | |
| PTELL x Year (Interaction) | 0.043383 | 32 | 0.001356 | 3.78 | 0.0000 | |
| Residual | 0.091871 | 256 | 0.000359 | | | |
| Total | 0.409758 | 329 | 0.001245 | | | |
| $R^2$ | | | | | | 0.7758 |
| Adjusted $R^2$ | | | | | | 0.7719 |
| No. Observations | | | | | | 330 |

For this reason, I examined the interaction between time and PTELL status. The statistically significant interaction term between PTELL and time (f = 3.78, p < 0. 0001) reveals a difference in trend over time, between PTELL and non-PTELL counties. This statistically significant interaction term, coupled with visual inspection, showed that PTELL counties were increasing in the proportion of taxes due to special-purpose districts over time, relative to non-PTELL counties. In this case the interaction term is greater than the year term, which indicates property tax reliance from special-purpose districts increased more over time in the PTELL counties than in non-PTELL counties. This result supports the overall study hypothesis that the effects of PTELL legislation can be lessened by relying more on taxes coming from special districts.

The hypothesis was tested on all downstate counties, to determine whether there might be a difference in the proportion of property taxes from special-purpose districts, which includes school districts.

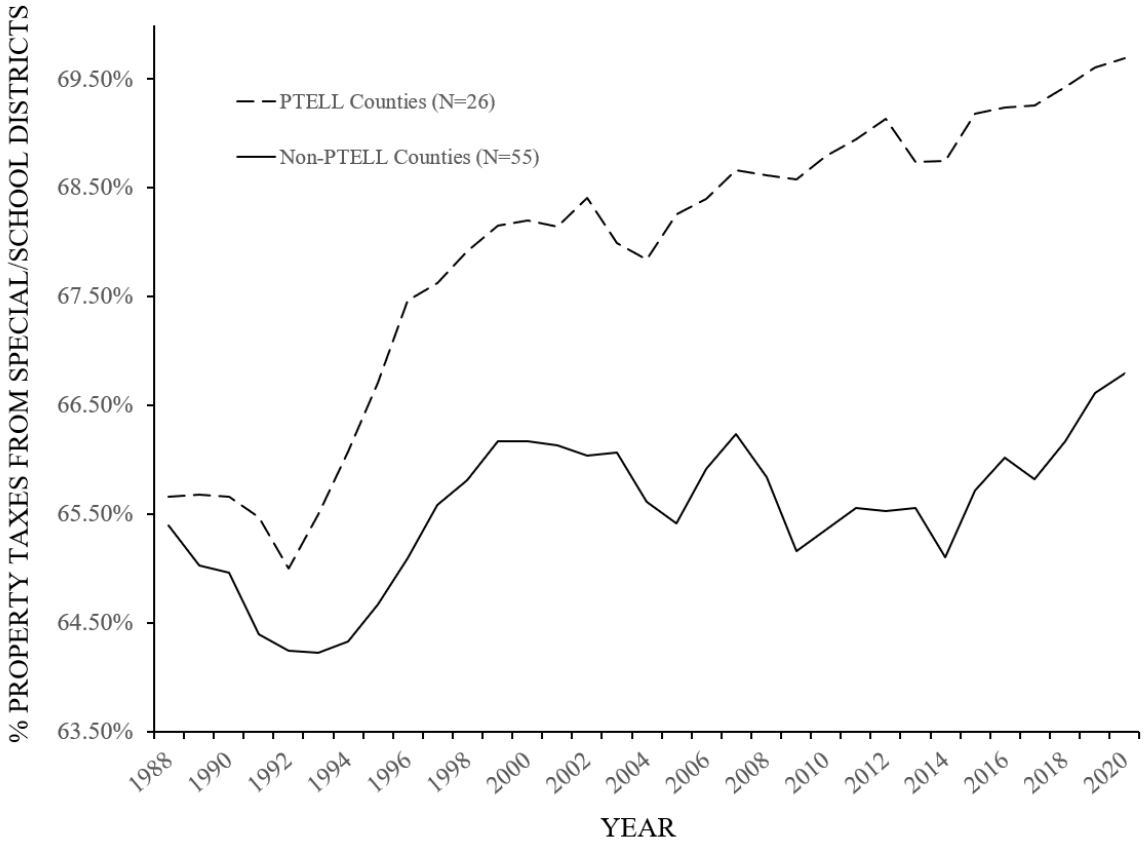



*Figure 10.* Mean percent of overall tax rate from special purpose and school districts, counties that had adopted PTELL versus counties that had not adopted PTELL, 81 downstate-Illinois counties.

Again, as with the 10-county exploratory study, a rather stark result appears on visual inspection of the data (Figure 10). In PTELL counties, between 1988 and 2020, the share of all property taxes from special-purpose districts increased over time, at a much higher rate than in non-PTELL counties. I examined this comparison further by a repeated-measures ANOVA. As with the results from the 10-county analysis, the difference in rate of change was exacerbated in the late 1990s after the passage of PTELL.

Table 19

*Repeated-measures ANOVA results using proportion of property taxes from special purpose districts and school districts as the criterion (81 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 6.842503 | 144 | 0.047517 | 67.36 | 0.0000 | |
| PTELL | 0.326182 | 1 | 0.326182 | 4.1 | 0.0462 | |
| CountyNo \| PTELL | 6.280060 | 79 | 0.079494 | | | |
| Year | 0.214269 | 32 | 0.006696 | 9.49 | 0.0000 | |
| PTELL x Year (Interaction) | 0.051148 | 32 | 0.001598 | 2.27 | 0.0001 | |
| Residual | 1.783370 | 2,528 | 0.000705 | | | |
| Total | 8.625873 | 2,672 | 0.003228 | | | |
| $R^2$ | | | | | | 0.7933 |
| Adjusted $R^2$ | | | | | | 0.7815 |
| No. Observations | | | | | | 2,673 |

Interestingly, the main effect for PTELL adoption was marginally significant (f = 4.10, p = 0.0462), reflecting that the proportion of property taxes from special districts was already slightly higher in adopting counties, even when PTELL first took effect. Considering the significant main effect, and the trend observed upon visual inspection, the interaction between PTELL and time was examined. The interaction term between PTELL and time is statistically significant (f = 2.27, p = 0.0001). Again, this demonstrates that PTELL counties increased their reliance on property taxes that were collected from special districts at a greater rate than non-PTELL counties. This supports one of the study hypotheses; reliance on property taxes from special-purpose districts increased at a higher rate within PTELL counties during this period.

*Testing the findings with an extended linear regression model*

Up to this point, all inferential statistical tests were conducted using repeated measures ANOVA. This allowed for the examination of trends over time in property tax rates. Reliance on special districts differed for PTELL and non-PTELL counties. The factors used to measure those counties which had adopted PTELL, and to determine EAV growth, were time-invariant. This means that if a county was coded as a PTELL adopter, it was coded that way for all time points, between 1988 and 2020. Similarly, if the cumulative-EAV growth exceeded the state average for cumulative-EAV growth, it was coded that way for all points in time between 1988 and 2020. Using such time-invariant factors allowed for easier visual inspection through time-series figures. Where independent variables ("regressors") are time-variant, or continuous variables, visual inspection becomes much more difficult.

Because time-invariant factors were used, the data were balanced, and repeated measures ANOVA was an appropriate tool to assess the differences in outcome variables between levels of the independent variables ("factors.") To test the findings above, using a different test, with time-variant variables, two new regressors were calculated. First, a time-sensitive measure of PTELL adoption was created. This variable coded for each county as 0 or 1 *to denote the years that PTELL was in effect.* For example, if a county adopted PTELL in 1991, the county would be coded as a 0 for each year between 1988 and 1991 and would be coded as a 1 in 1992 (the year PTELL would begin to influence taxes), and on through 2020. This allows us to test whether there is a significant change in

reliance on special districts in PTELL counties *after the county adopted PTELL restrictions*.

The second regressor that was calculated was a variable reflecting cumulative change in the EAV. For instance, if a county's EAV increased 0.2 from 1988 to 1989, the cumulative rate of change would be 0.2. Then, if between 1989 and 1990, the change in EAV was -0.4, the cumulative rate of change in 1990 would be -0.2. Thus, by the end of the period studied, cumulative growth in EAV could range from negative to positive. The purpose of doing this was to verify whether, when using more sensitive, time-variant regressors, the findings above would be detectible. Would PTELL adoption and a measurement of growth in EAV be related to an increase in the percent of property taxes from special-purpose districts? Because the data were "panel data," employing repeated measures across units of measurement, nested within groups, a standard linear regression model would be inappropriate.

I estimated a cross-section time series linear regression model for this analysis, which is appropriate for analysis of panel data. In addition, the extended regression model incorporated random effects terms to model and account for residual error. To summarize, two independent variables were used: one measures whether PTELL was in effect during that year for each county, and the other measures the cumulative change in EAV in each county, expressed as a rate). These two independent variables were included in the model, as well as their interaction, to test whether the impact of PTELL is moderated by a county's

economic growth. The dependent variable is the percent of property taxes derived from special-purpose districts, including school districts, in each county.

The results of the model are as follows:

Table 20

*Extended linear regression results, predicting average percent property taxes from special districts and school districts, from time-variant PTELL status, and yearly cumulative change in EAV (81 downstate-county dataset).*

| Source | Coefficient | *Std. Err.* | z | *p* | 95% Conf. Interval | | Fit |
|---|---|---|---|---|---|---|---|
| Time-Variant PTELL Status | 0.02389 | 0.00249 | 9.60 | 0.000 | 0.01901 | 0.02877 | |
| Cumulative Change in EAV | -0.01954 | 0.00832 | -2.35 | 0.019 | -0.03585 | -0.00322 | |
| PTELL Status x Cum. Change EAV | 0.02413 | 0.02277 | 1.06 | 0.289 | -0.02050 | 0.06876 | |
| Wald Chi2(3) | | | | | | | 173.35 |
| *p* | | | | | | | 0.0000 |
| No. Observations | | | | | | | 2,673 |
| No. Groups | | | | | | | 81 |

The results demonstrated there was a statistically significant effect of the time variant PTELL regressor (z = 9.6, p = 0.000). This indicates that the reliance on tax revenues from special districts increased *after* counties adopted PTELL restrictions. Also, there was a statistically significant effect of the cumulative change in EAV variable (z = -2.35, p = 0.019). The negative coefficient indicates that an increase in EAV reduced pressure to shift the tax burden to special districts. The interaction term in this model was not significant (z = 1. 06, p = 0.289.) This suggests that EAV growth did not moderate the impact of PTELL on a county's increased reliance on property taxes from special districts. The model results confirm the findings above, that adoption of PTELL and change in EAV each influence the proportion of property taxes from special districts.

The direction of the coefficients was to be expected. A positive z score suggested that PTELL adoption was associated with an increase in the proportion of property taxes coming from special districts. The negative coefficient for cumulative change in EAV suggested that a decreasing EAV across time in a county was associated with an increase in the proportion of property taxes from special districts. The coefficient of 0.02 for PTELL status indicates that the ratio of special district taxes was 0.02 higher, on average, after counties adopted PTELL.

To provide symmetry with the analyses above, this same extended regression model was run, using the overall property tax rate as a dependent variable. Results are below in Table 21:

Table 21

*Extended linear regression results, predicting overall property tax rate from special districts and school districts, from time-variant PTELL status, and yearly cumulative change in EAV (81 downstate-county dataset).*

| Source | Coefficient | *Std. Err.* | z | *p* | 95% Conf. Interval | | Fit |
|---|---|---|---|---|---|---|---|
| Time-Variant PTELL Status | 0.00424 | 0.00054 | 7.89 | 0.000 | 0.00319 | 0.00530 | |
| Cumulative Change in EAV | 0.00303 | 0.00180 | 1.68 | 0.092 | -0.00050 | 0.00657 | |
| PTELL Status x Cum. Change EAV | -0.02251 | 0.00493 | -4.56 | 0.000 | -0.03217 | -0.01284 | |
| Wald Chi2(3) | | | | | | | 62.57 |
| *p* | | | | | | | 0.0000 |
| No. Observations | | | | | | | 2,673 |
| No. Groups | | | | | | | 81 |

Interestingly, there was a significant main effect of the time variant PTELL measure (z = 7.89, p = 0.0000). This suggests that property tax rates increased after adoption of PTELL in counties with no change in EAV. There was no significant effect of the change in EAV over time (z = 1.68, p = 0.092), which

means that changes in EAV did not influence property tax rates in counties that did not adopt PTELL. The interaction term between time variant PTELL and change in EAV was significant ($z = -4.56$, $p = 0.000$). This suggests that property tax rates were less likely to increase in PTELL counties with increasing EAV. In fact, these results indicate that rising EAV is associated with lower property tax rates in PTELL counties.

It is difficult to perform a visual analysis of the data in this regression because the independent variables are time dependent. Therefore, unlike with the ANOVA analyses, one cannot plot two separate lines, broken out across time-invariant categorical variables. However, the regression results suggest that there is a statistically significant increase in the overall property tax rate following adoption of PTELL, but this effect is primarily in low-growth PTELL counties.

***Qualitative review and quantitative test indicating if "contingency" exists***

Contingency applied in this case as the causal story has been shaped by unplanned events, including a recession and economic downturns. The review of qualitative data showed PTELL was implemented specifically to address high spikes in tax rates, especially in counties with slow growing to flat EAVs and population decline. From a quantitative standpoint this feature of path dependence was supported in the 10-county preliminary analysis, as well as a full, 81-downstate county analysis. A review of the impact of PTELL on tax rates was clear. The foregoing analysis suggested the passage of PTELL in Downstate Illinois counties had a statistically significant effect on suppressing property tax rates over time.

*Deeper into the data: the effect of economic pressures on the observed results*

Considering these findings, it is important to examine whether this effect was amplified by economic pressures. In other words, did the phenomenon of an increase in property taxes from special-purpose districts manifest itself more strongly in counties facing economic challenges? To answer this question, the average growth in EAV for all Illinois counties was calculated. Between 2000 and 2020, I calculated the rate of increase or decrease of each county's EAV from the previous year. For example, if a county's EAV in 2000 was 0.4 higher than in 1999, the county was assigned a value of 0.4. If a county's EAV was 0.07 lower in 2008 than in 2007, it was assigned a value of -0.07. Each county's cumulative rate of change over the 20-year period was then calculated. Those calculations were averaged. The average rate of EAV change during those 20 years for counties in Illinois was 0.660977, or 66.1%.

This treatment was applied to all downstate counties, which were then coded as high growth (meaning their cumulative growth over 20 years was above 0.660977) or low growth (meaning their cumulative growth over 20 years was equal to or below 0.660977. This variable of high versus low-growth was then used to further examine the downstate counties.

***Qualitative review and quantitative test indicating if "path narrowing" (or "closure") exists***

The concept of path narrowing, or closure, was considered when examining the influence PTELL has had in keeping tax rates and the number of taxing districts down. The question remains: Has the State reached a point of no

return? The words of Bollens echo clearly as a cautionary warning: once new districts are created it is nearly impossible to dismantle them. Quantitatively speaking, the concept of path narrowing in Illinois is supported.

To evaluate whether path narrowing exists, tax rates between PTELL and non-PTELL counties, in *high growth* counties were examined in all Downstate Illinois counties. High growth counties were analyzed because there is no obvious fiscally imposed barrier for such counties as they are experiencing growth, population increases, and economic prosperity.

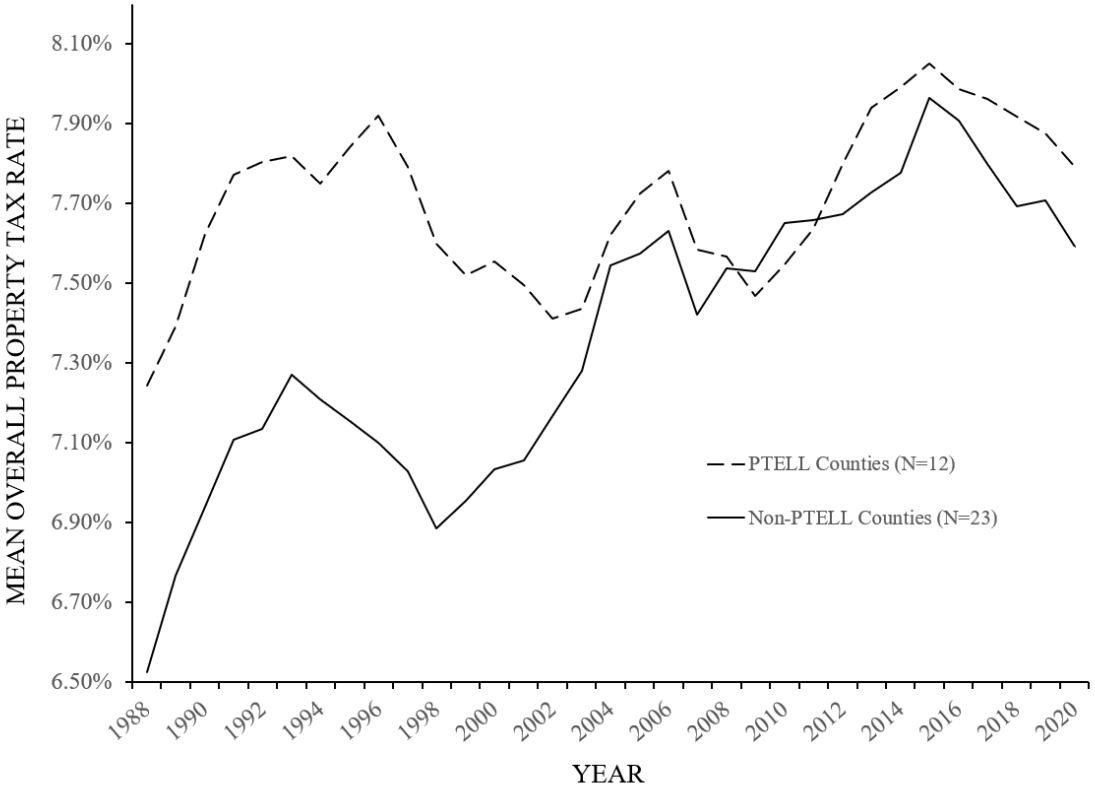



*Figure 6.* Mean overall property tax rate, counties that had adopted PTELL versus counties that had not adopted PTELL, 35 downstate-Illinois, high-growth counties.

Based on visual inspection of Downstate Illinois, high-growth counties, PTELL counties had a much higher overall property tax rate at the beginning of

the study period than non-PTELL counties (Figure 6). Perhaps this was a reason these counties passed PTELL in the first place. By the mid-2000s, the tax rate had increased in non-PTELL counties to a point that upon visual inspection these rates appeared similar to the PTELL counties. From that point forward, there does not seem to be a meaningful difference between PTELL and non-PTELL counties in overall tax rate. This suggested that in high-growth downstate counties, the passage of PTELL yielded the desired effect over time, and slowed the growth of overall property tax rates relative to counties that did not pass PTELL. This visual finding was examined empirically, again using a repeated-measures ANOVA.

Table 15

*Repeated-measures ANOVA results using overall property tax rate as the criterion (high-growth, 35 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 0.089673 | 98 | 0.000915 | 48.64 | 0.0000 | |
| PTELL | 0.003003 | 1 | 0.003003 | 1.31 | 0.2602 | |
| CountyNo \| PTELL | 0.075497 | 33 | 0.002298 | | | |
| Year | 0.006678 | 32 | 0.000209 | 11.09 | 0.0000 | |
| PTELL x Year (Interaction) | 0.001980 | 32 | 0.000062 | 3.29 | 0.0000 | |
| Residual | 0.019865 | 1,056 | 0.000019 | | | |
| Total | 0.109538 | 1,154 | 0.000095 | | | |
| $R^2$ | | | | | | 0.8186 |
| Adjusted $R^2$ | | | | | | 0.8018 |
| No. Observations | | | | | | 1,155 |

Overall, the main effect between PTELL and non-PTELL counties is not statistically significant (f = 1.31, p = 0.2602.) This appeared to be because for the

duration of this longitudinal dataset, the overall, average tax rate between PTELL and non-PTELL groups appeared to be equal. However, while this means that there is no significant difference between PTELL and non PTELL counties in high-growth counties, this is because the data, averaged over time, do not show a statistically significant difference in the means.

Visual inspection suggested there is a meaningful difference in the trend between PTELL and non-PTELL counties over time. This is reflected in the statistically significant interaction term between PTELL and time ($f = 3.29$, $p = 0.0000$). This supported the conclusion that there is a meaningful and statistically significant effect of PTELL passage in high-growth downstate counties, where over the course of time, PTELL has slowed the rate of growth of property taxes and brought overall tax rates in line with non-PTELL counties. Visual inspection also suggests that property tax rates increased more in the non-PTELL counties than in PTELL counties during the 1988-2020 period.

Downstate low-growth counties seem to tell a different story:

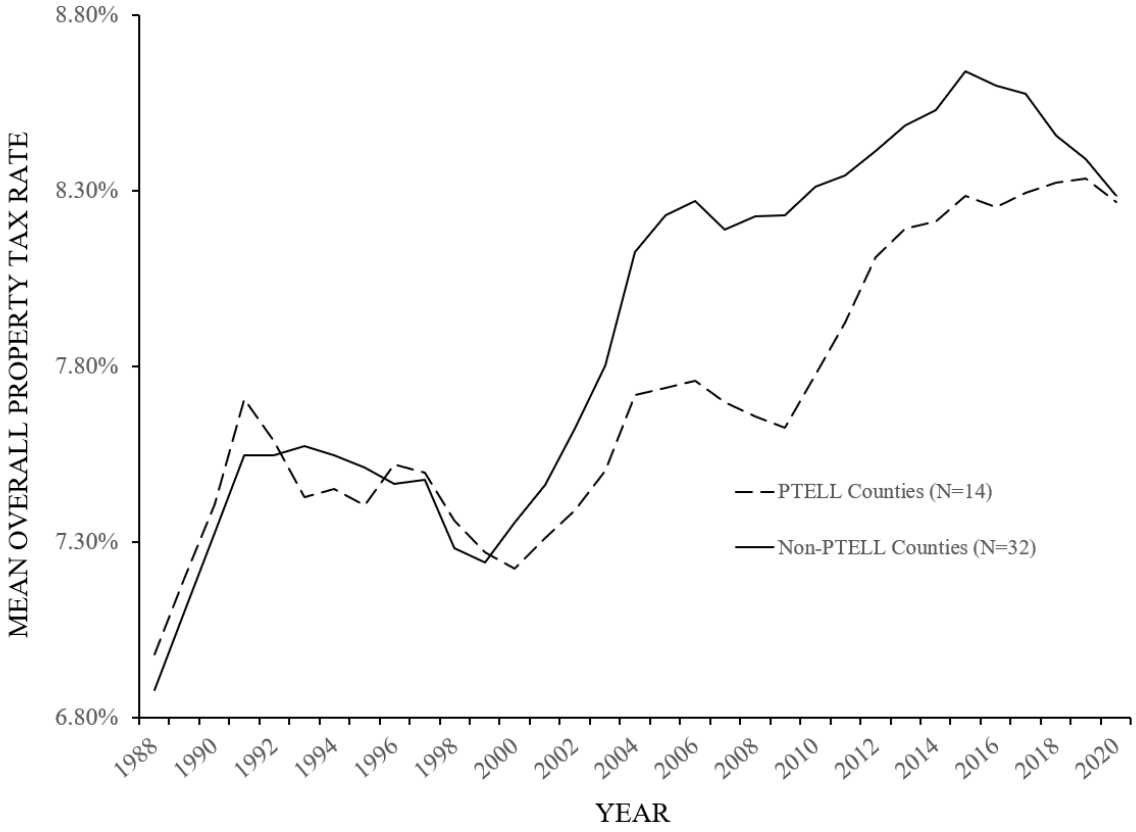



*Figure 7.* Mean overall property tax rate, counties that had adopted PTELL versus counties that had not adopted PTELL, 46 downstate-Illinois, low-growth counties.

In contrast to high-growth counties, visual inspection suggested virtually no difference in the overall rate of property taxes between PTELL and non-PTELL counties in low-growth counties at the start and end of the series (Figure 7).

Table 16

*Repeated-measures ANOVA results using overall property tax rates as the criterion (low-growth, 46 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 0.127906 | 109 | 0.000012 | 63.75 | 0.0000 | |
| PTELL | 0.001291 | 1 | 0.001291 | 0.61 | 0.4373 | |
| CountyNo \| PTELL | 0.092459 | 44 | 0.002101 | | | |
| Year | 0.024477 | 32 | 0.000765 | 41.56 | 0.0000 | |
| PTELL x Year (Interaction) | 0.001605 | 32 | 0.000050 | 2.73 | 0.0000 | |
| Residual | 0.025917 | 1,408 | 0.000018 | | | |
| Total | 0.153822 | 1,517 | 0.000101 | | | |
| $R^2$ | | | | | | 0.8315 |
| Adjusted $R^2$ | | | | | | 0.8185 |
| No. Observations | | | | | | 1,518 |

Interestingly, there is a statistically significant interaction term between PTELL status and year (f = 2.73, p = 0.0000). Visual inspection seemed to show this is the result of the period of about 2000 to 2016. In 2000, shortly after adoption of PTELL, the adopting counties began to realize a much slower increase in property taxes than non-PTELL counties. This trend reversed beginning in about 2016, when the non-PTELL counties witnessed a drop in property tax rates, and the two groups of counties had nearly identical mean property tax rates in 2020. Overall, it does not appear that PTELL reduced the growth of property tax rates in low-growth counties in downstate Illinois.

### *Qualitative review and quantitative test indicating if "constraint" exists*

Constraint exists when the cost identified with course correction exceeds the amount of resources that would be spent on the effort. As was previously

acknowledged, reductions to tax rates and the potential dismantling of districts already in place would disrupt the flow of services to taxpayers, thus, potentially leading to voter dissatisfaction.

Based on the previous findings in this study, it was hypothesized that the differences between high- and low-growth counties in the effects of PTELL on overall tax rate could be due to the role that special-purpose districts played in the overall property tax burden picture. Therefore, again, the difference between PTELL and non-PTELL counties was examined, this time in the context of high- and low-growth counties.

In high-growth counties, visual inspection of the data revealed there are no meaningful differences between PTELL and non-PTELL counties, in terms of the share of property taxes from special-purpose districts (Figure 8).

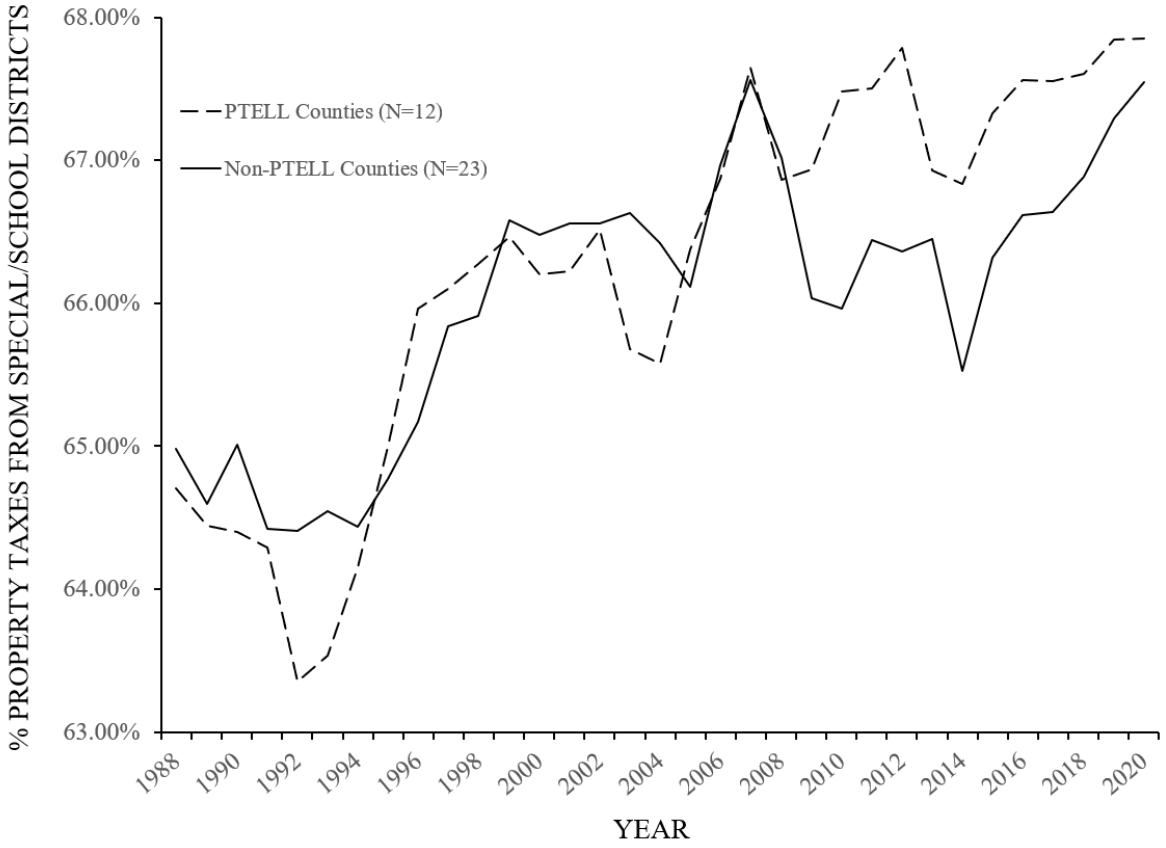



*Figure 8.* Mean percent of overall tax rate from special purpose and school districts, counties that had adopted PTELL versus counties that had not adopted PTELL, 35 downstate-Illinois, high-growth counties.

There was also no statistically significant difference between PTELL and non-PTELL counties, when examined via ANOVA (f = 0.01, p = 0.9198). This indicates that both groups of counties generated a similar share of property taxes from special districts at the start of the period examined. Similarly, there was no significant interaction between PTELL and year, (f = 0.49, p = 0.9927), indicating that there was no difference between the rate of change on this measure over time between the two groups.

Table 17

*Repeated-measures ANOVA results using proportion of property tax from special districts and school districts as the criterion (high-growth, 35 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 3.648699 | 98 | 0.037232 | 46.13 | 0.0000 | |
| PTELL | 0.001096 | 1 | 0.001096 | 0.01 | 0.9198 | |
| CountyNo \| PTELL | 3.514264 | 33 | 0.106493 | | | |
| Year | 0.121520 | 32 | 0.003798 | 4.71 | 0.0000 | |
| PTELL x Year (Interaction) | 0.012646 | 32 | 0.000395 | 0.49 | 0.9927 | |
| Residual | 0.852276 | 1,056 | 0.000807 | | | |
| Total | 4.500975 | 1,154 | 0.003900 | | | |
| $R^2$ | | | | | | 0.8106 |
| Adjusted $R^2$ | | | | | | 0.7931 |
| No. Observations | | | | | | 1,155 |

In major contrast, when examining the share of property taxes from special-purpose districts in *low-growth* counties, there is a difference similar to the difference seen within all downstate counties, however the magnitude seems to be much higher. Visually what was observed is the rate of property taxes from special-purpose districts stays somewhat level over time in the non-PTELL counties, while it increases dramatically over time in the PTELL counties (see Figure 9).

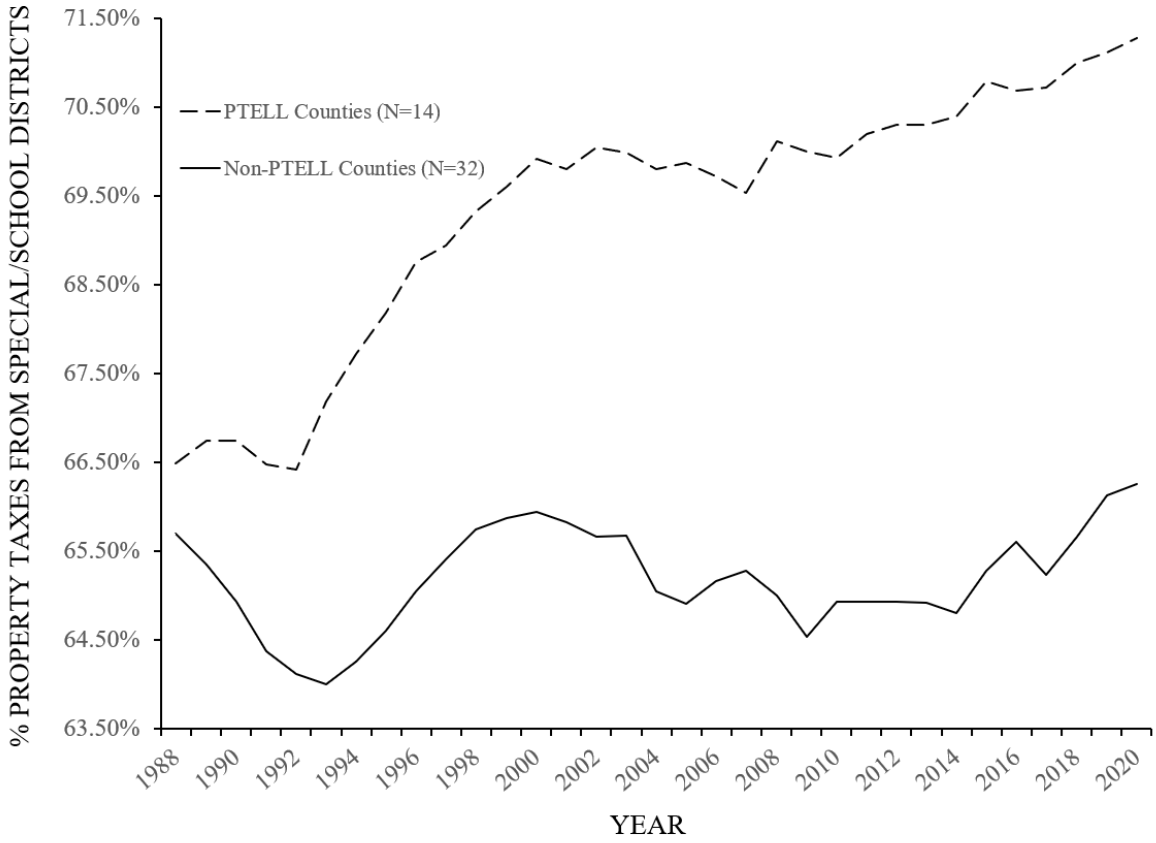



*Figure 9.* Mean percent of overall tax rate from special purpose and school districts, counties that had adopted PTELL versus counties that had not adopted PTELL, 46 downstate-Illinois, low-growth counties.

Statistically, when examined using ANOVA, the main effect of PTELL is significant in this analysis ($f = 9.63$, $p = 0.0033$). This indicates that PTELL counties relied more on property taxes from special districts than non-PTELL counties at the start of the period examined. Furthermore, the interaction term is highly significant ($f = 2.52$, $p = 0.0000$). This demonstrated there is a statistically significant difference between PTELL and non-PTELL counties, and that share of property taxes from special districts trends differently across time in a statistically significant way. In downstate, low-growth counties, the share of property taxes from special-purpose districts increases dramatically across time in PTELL counties when compared to the counties that did not adopt PTELL. The ANOVA

analysis indicated the use of PTELL as a measure to gauge how tax caps served to incentivize the use of special-purpose districts as alternative revenue streams explained roughly 76% of the variance in the special district share of property taxes in low-growth counties. One aspect of these results is that the pressure under PTELL to shift the tax burden to special districts is felt primarily in low growth downstate counties.

Table 18

*Repeated-measures ANOVA results using proportion of property tax from special districts and school districts as the criterion (low-growth, 46 downstate-county dataset)*

| Source | Partial Sum of Squares | *df* | Mean Square | *F* | *p* | Fit |
|---|---|---|---|---|---|---|
| Model | 3.214913 | 109 | 0.029495 | 46.03 | 0.0000 | |
| PTELL | .55.51886 | 1 | 0.553519 | 9.63 | 0.0033 | |
| CountyNo \| PTELL | 2.529663 | 44 | 0.057492 | | | |
| Year | 0.105340 | 32 | 0.003292 | 5.14 | 0.0000 | |
| PTELL x Year (Interaction) | 0.051670 | 32 | 0.001615 | 2.52 | 0.0000 | |
| Residual | 0.902284 | 1,048 | 0.000641 | | | |
| Total | 4.117198 | 1,517 | 0.002714 | | | |
| $R^2$ | | | | | | 0.7808 |
| Adjusted $R^2$ | | | | | | 0.7639 |
| No. Observations | | | | | | 1,158 |

This finding was borne out statistically, showcasing no significant difference between PTELL and non-PTELL counties on the overall tax rate across time. In low-growth counties, as opposed to high-growth counties, there is also no “closing of the gap,” which could be interpreted as some meaningful, but non-significant effect of PTELL.

## Conclusion

The four parts of path dependence as defined by Pierson and other scholars demonstrate how they exist in relation to the application of restricted powers theory. The State of Illinois charted a new course in adopting PTELL legislation to cap property tax increases. The results of this study show that counties adopting PTELL restrictions succeeded in slowing the growth of property taxes. However, this effect was limited to high-growth counties with above average increases in assessed property values. Furthermore, PTELL caused adopting counties to rely more heavily on special districts for tax revenues, and this is particularly the case in low-growth counties. It is also important to note budget constraints, coupled with low-growth, further inspired the creation of special-purpose districts in PTELL counties across the state. In counties that adopted the legislation, this course might be irreversible without amending it. But for those counties, as well as the state, property tax reform is vital to ensure Illinois property taxes do not become an undue burden for taxpayers.

The main empirical results of qualitative and quantitative research indicate evidence of increased reliance on special-purpose districts, including school districts, within PTELL-adopting counties. This is the case particularly for those counties experiencing low- to no-growth and realizing population decline or negligible increases.

### *Determination if path dependence is present*

Based on the qualitative and quantitative analyses conducted, and the abundance of scholarly research presented in support of findings, it is clear path dependence is at play in Illinois. It is unclear whether reforms are likely, much less if those reforms could take the state on a new course. The state's divisive political climate makes it unlikely that Republican and Democrat lawmakers could come together to introduce bipartisan legislation to alter its currently chartered course, thus moving Illinois in a different direction.

### *Limitations of the study*

I explored tenets of functionalist theory in this research, with evaluation of applicability relative to causal relationship. As functionalist theory posits an institution's social function supports a public system's formation, system of operation, and its continuation and/or changes in course of direction, and outcomes (Harsanyi, 1969). This theory posits a collectivist postulation. The feedback effect from policy making and policy process standpoints also should be examined. These topics are worthy of exploration for several reasons; chiefly because they will influence the climate surrounding special-district formation across Illinois, as well as other states in the nation. Path dependence is applicable for the examination of this policy area, as well as exploring the concept of policy inertia.

### *What does this mean for the taxpayers of Illinois*

As has been explained earlier, some could argue these special units of government provide individuals with more access points to enter government, as well as additional opportunities for citizen involvement. It is apparent though that this comes at a monetary cost. They place an additional burden on property taxpayers who must financially support them. In Illinois that has led to great property tax burdens. Since 1942, the number of special-purpose districts has grown substantially. Additionally, the property tax burden has grown along with that number. Making matters worse for Illinois property taxpayers, the 1970 Illinois Constitution changed how public education was funded, as has been referenced earlier. Once supported in a greater degree by federal and state funding, including PPT revenue, the amendment passed by state lawmakers abolished the individual PPT, effective in 1971, and the PPT for businesses shifted the bulk of this financial obligation to property owners. This is an example of how an unfunded mandate sets the stage for future fiscal challenges.

The analysis of PTELL counties indicates there is an increased reliance on property taxes from special-purpose districts. Because school districts are the most common type of special-purpose district and receive the greatest share of property taxes, the impact of PTELL on school districts is particularly relevant to examine. The data show a significant increase in reliance on property taxes for school districts in PTELL-adopting counties across Illinois; however, any public pressure in PTELL counties through the years has failed to keep rates in alignment with those in non-PTELL counties.

***Potential areas for future research***

An issue of continued importance throughout scholarly research is the lack of transparency. One way in which scholars could contribute to this area of research is to establish a typology by which taxing districts could be classified. This would allow for a broader understanding of district types, funding structure, and enable a better system for capturing the true number of districts. A typology would offer a blueprint for future scholarship to explore aspects of Illinois property taxation and might be useful for understanding the structure of taxation.

Greater government calls into question the degree to which government can be held accountable for its spending. Future scholars might study the application of elitist theory as it was introduced to explain why governmental units such as counties could be incentivized to allow special-purpose districts to remain in place. The more stakeholders that exist within government, and the more those stakeholders are appointed by a central figurehead in power, the more likely the figurehead will favor keeping those stakeholders in place. Since the boards and figureheads of these special-purpose districts are appointed, this provides elected leaders at the county, city, and state level the ability to make appointments. This enhances the power of these elected officials, and thus, the prevailing party's power.

Future examinations should include measuring the impact of TIFs and Enterprise Zones on Illinois counties, as well as individual communities. Based on the research conducted for this dissertation, it can be gleaned countywide measures of economic impact somewhat dilute the full picture of disparate impact based on demographic information. In the more detailed analysis of

Madison County, there were measurable differences in demographic composition when comparing communities according to variables including race, education, income, and poverty level. McCabe's work cannot be ignored as it points to the professional relationships between local, regional, and national developers. She proposes these allegiances guide the formation of TIFs and Enterprise Zones across the country (McCabe, 2000). The potential far-reaching implications of this might be a future area of examination for scholars in Illinois and other states. Such alliances are another way the elitist theory can be applied for future study, as they provide developers with points of access, and thus, a feedback effect.

Racial inequality is another area scholars can explore to explain disproportionate tax bills by community, and population decline in areas that are struggling economically. An examination of Madison County tax bills over the 15-year period examined, which was referenced under the Madison County section of this proposal, shows less-advantaged communities have much higher tax rates. This results in some bills being twice as high or more in these communities when compared against wealthier ones. When the total number of districts, and number of special-purpose districts, are compared, it is evident some poor communities have twice the number of total districts, and three times as many special-purpose districts, and pay twice as much or more in property taxes than do residents living in wealthier areas. The primary racial demographic in these poorer communities is African American. This has been shown significantly and substantively significant in statistical analysis. Gender, income, and education in

these communities also should be explored for potential statistical and substantive significance.

The scholarly literature leaves many gaps for research to fill. Why does the reliance on special districts continue to climb? Are there alternative means for governments to gain sources of revenue? With property taxes in most states on the rise, is it the responsibility of leaders to step up and curb this unprecedented growth? Furthermore, has the role played thus far by the state served as the catalyst for this problem? What can be done to streamline government? Is the state government interested in streamlining such growth? If not, why not? History has shown that there has been little done at the state level to stymie such growth. In fact, it can be argued that states have encouraged and even supported such growth.

Finally, the apparent lack of a significant difference in the number of special-purpose districts merits further discussion and could give rise to future investigation. Notably, because not all special-purpose districts are required to file annual reports with state agencies. Future research could involve a microcosm analysis of each Downstate Illinois county, measuring the number of districts in non-PTELL counties versus PTELL counties. Future research could compare in the way of the ground-level research for PTELL and non-PTELL adopters between time of adoption; thus, for the 1988-2020 period.

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## APPENDIX

### Narrative regarding FOIA attempt

A FOIA request for reports detailing numbers of districts, as well as breaking those numbers out by special-purpose and general-purpose governments, for the state, as well as at the county level between 2000 and 2020 was made. That office extended the original request for five days and then denied it, citing the following reason:

> "After additional research of our records, the data the requester is seeking is data that was held in our draft (raw data) spreadsheets utilized to create the Fiscal Responsibility Report Card. These spreadsheets (in large part) are no longer available due to the passage of time and retention policy. We are unable to query the data because it was snapshot (static) at the year of reporting and a current query would yield current results, not historical as what is being requested. The information (excepting county breakdown) is available through the published Fiscal Responsibility Report Cards found on our website, but she will have to manually extract the data."

A. Alstott, Dep. Gen. Counsel, Il. Office of Comptroller (personal communication, September 8, 2022, Subject: "Request for Information.")

This speaks to a larger issue: If such information was not readily available when requested by a member of the public, how can true numbers of special-purpose districts in a state like Illinois truly be known, measured, and compared? As can be seen in the table referenced above, and as the Governor's Task Force

referenced earlier indicated, there is disparity among agencies in true number of special-purpose districts between the IDOR, the IOC, and the US Census.