



MEMORANDUM

To: Finance and Administration Committee
From: Timothy Sexton, Director of Finance
Date: January 8, 2019
Subject: General Information on Home Rule

The Finance and Administration Committee requested staff to provide information on Home Rule. Attached is generic information with the intent to provide additional information as requested.

PLEASE UNDERSTAND THIS INFORMATION ONLY. STAFF IS NOT PERMITTED TO ADVOCATE FOR EITHER HOME RULE OR NON HOME RULE.

GENERAL QUESTIONS ON HOME RULE

Q: What is home rule?

A: Established by adoption of the 1970 Illinois Constitution, home rule shifts greater responsibility and authority for local government decision making from the state level to the local level. Municipalities with a population of more than 25,000 are automatically home rule units, which allows more flexibility in addressing “bigger town” matters such as local financial, commercial and industrial issues.

Q: Are there restrictions on home rule authority?

A: The General Assembly has imposed limits on home rule units by preemption or declaration that certain actions are an exclusive power of the state.

Preemption by the state has included certain licensing powers, pensions, the Open Meetings Act and the Public Labor Relations Act.

In addition, any home rule action would still be subject to all the restrictions in the federal and state constitutions such as due process requirements.

Q: Why isn't Lombard a home rule municipality since its population is over 25,000?

A: Lombard was a home rule community until 1981 but by a referendum vote Lombard became a non-home rule municipality. Below is a survey of home rule retention elections (Source: Home Rule – It's History and Effect, Presentation by Barry L. Moss IL Municipal League 92nd Annual Conference)

1. There have been 31 elections in which voters were asked whether or not they wished to keep the home rule powers already provided to their community. Voters chose in 27 of these elections, or 87 percent, to retain their home rule powers.
2. Retention elections occur for either of two reasons: (a) voters dissatisfied with their community's use of home rule powers may petition the court for a retention election—this has happened 25 times; or (b) a community which gains home rule powers by population is required by law to hold a retention election if its population later falls under the 25,000 ceiling—this has happened six times.
3. Of the 25 retention elections held in response to voter petitions, home rule was retained in 21, or 84 percent, of the elections. Home rule was retained in all 6 of the retention elections held because a community's population had fallen under 25,000. In the aggregate, voters in retention elections chose, by a margin of greater than 2-1, to retain home rule powers.

4. Four communities have lost home rule status by virtue of retention elections: Lisle, Villa Park, Lombard and Rockford. According to an article published by the Northern Illinois University Center for Governmental Studies, "Of the four communities which had and then abandoned home rule, the voters in two — Lisle and Rockford — reacted negatively to actual or proposed home rule use. In two others — Lombard and Villa Park — voters rejected home rule in the mistaken assumption that it would lower their taxes (mistaken because their home rule powers had not been used to levy any taxes)."

Q: Is home rule common and are there other towns nearby that are home rule towns?

A: There are currently 215 home rule municipalities representing 70 percent of Illinois residents (see attached list). Home rule municipalities range in size from 2.7 million residents in the City of Chicago to 69 residents in Muddy, Illinois.

Q: Are there other benefits of home rule besides financial flexibility?

A: Home rule authority generally gives municipalities more tools to enforce its local municipal code which includes:

1. Greater abilities to enforce property maintenance violations and nuisance issues, ones which may have an adverse impact on neighboring property values if left unresolved.
2. Home rule authority also allows for more flexible and cost-effective rules for the adjudication of these and other code violations through its local court system.
3. Secondary benefits include the ability to opt out of certain unfunded mandates by the state or county as they arise, given there is not a home rule preemption in the mandate.

Q: What are arguments against home rule?

A: The frequent argument against home rule is that it allows elected officials to bypass voters to:

1. Take on more debt
2. Impose more taxes -- Typically, home rule municipalities have broader taxation authority, which opponents of home rule cite as a disadvantage and area of concern. Empirical evidence suggests, however, that municipalities generally do not use this additional taxation authority to raise taxes on its residents — they usually try to shift the burden of taxation to non-residents.
3. Place more regulations on property owners -- Per state law, in order to implement the transfer tax, another binding referendum is required.

Q: In which areas may Home Rule municipalities exercise their powers?

A: Please see the attached literature published by the Illinois Municipal League, Northern Illinois University Center of Government Studies, City of Geneva, City of Galena, and City of Lake Forest regarding:

1. Public Health, Safety, Morals and Welfare
2. Zoning and Subdivisions
3. Personnel
4. Enforcement of Zoning, Building and Related Codes on Other Governmental Bodies
5. Taxation
6. Elections
7. Finance
8. Special Assessments
9. Special Service Area Tax
10. Debt
11. Internal Organization

Home Rule Municipalities

There are currently 215 home rule municipalities in Illinois.

Addison	Downers Grove	Markham	Riverwoods
Algonquin	DuQuoin	Mascoutah	Robbins
Alsip	East Dundee	Maywood	Rock Island
Alton	East Hazel Crest	McCook	Rockdale
Arlington Heights	East St Louis	McHenry	Rolling Meadows
Aurora	Edwardsville	Melrose Park	Romeoville
Bannockburn	Elgin	Mettawa	Rosemont
Barrington Hills	Elk Grove Village	Midlothian	Round Lake Beach
Bartlett	Elmhurst	Moline	Saint Charles
Bartonville	Elmwood Park	Monee	Sauget
Batavia	Elwood	Monmouth	Schaumburg
Bedford Park	Evanston	Morton Grove	Schiller Park
Belleville	Evergreen Park	Mound City	Sesser
Bellwood	Fairview Heights	Mount Prospect	Sherman
Belvidere	Flora	Mount Vernon	Shorewood
Benton	Forest View	Muddy	Skokie
Berkeley	Freeport	Mundelein	South Barrington
Berwyn	Galesburg	Murphysboro	South Holland
Bloomington	Gilman	Naperville	Sparta
Bloomington	Glen Ellyn	Naples	Springfield
Bolingbrook	Glendale Heights	Nauvoo	Standard
Bridgeview	Glenview	New Lenox	Stickney
Bryant	Glenwood	Niles	Stone Park
Buffalo Grove	Golf	Normal	Streamwood
Burbank	Granite City	Norridge	Summit
Burnham	Gurnee	North Chicago	Sycamore
Cahokia	Hanover Park	North Utica	Thornton
Calumet City	Harvey	Northbrook	Tilton
Calumet Park	Harwood Heights	Northfield	Tinley Park
Carbon Cliff	Hazel Crest	Northlake	Tuscola
Carbondale	Herrin	O'Fallon	University Park
Carlock	Highland Park	Oak Forest	Urbana
Carol Stream	Highwood	Oak Lawn	Valmeyer
Carpentersville	Hillside	Oak Park	Vernon Hills
Cartersville	Hodgkins	Oakbrook Terrace	Volo
Champaign	Hoffman Estates	Old Mill Creek	Warrenville
Channahon	Homer Glen	Onarga	Washington
Chicago	Hopkins Park	Orland Park	Watseka
Chicago Heights	Huntley	Oswego	Waukegan
Chicago Ridge	Inverness	Palatine	West Chicago
Christopher	Jacksonville	Park City	West City
Cicero	Johnston City	Park Forest	West Dundee
Collinsville	Joliet	Park Ridge	West Frankfort
Country Club Hills	Kankakee	Pekin	Wheaton

Countryside
Crainville
Crystal Lake
Danville
Darien
Decatur
Deerfield
DeKalb
DePue
Des Plaines
Dolton

Lake Barrington
Lake Bluff
Lake Forest
Lake in the Hills
Lansing
LaSalle
Lincolnshire
Lincolnwood
Lockport
Manhattan
Marion

Peoria
Peoria Heights
Peru
Phoenix
Plainfield
Posen
Prairie Grove
Quincy
Rantoul
River Grove
Riverdale

Wheeling
Williamsville
Wilmette
Winnetka
Woodridge
Woodstock

disregard the Prevailing Wage Act in awarding a contract because it is considered a matter of statewide interest rather than local concern.¹³ In addition, branch banking is a matter of statewide, and not local, concern.¹⁴

A home rule unit may frequently exercise powers concurrently with the state.¹⁵ A home rule government's power to regulate for the protection of public safety includes the authority to enact ordinances which address matters already covered by state law as long as the legislature does not limit the power.¹⁶ Even comprehensive state regulation, when there is no express language of exclusive state control, will not be enough to deny home rule powers.¹⁷ An example of an area of concurrent authority is the area of liquor control, except that home rule municipalities may not lower the minimum drinking age.¹⁸ In the event of concurrent legislation, the court must enforce home rule ordinances, even if they are more stringent than state law.¹⁹

VII. IN WHICH AREAS MAY HOME RULE MUNICIPALITIES EXERCISE THEIR POWERS?

A. Public Health, Safety, Morals and Welfare

Unless specifically restricted by state law (for example, in the area of the age for consumption of alcoholic beverages)²⁰ or other provisions of the constitution, a home rule municipality may pass ordinances regulating the areas of building, zoning, sanitation, nuisance, civil disturbance and all other matters of

¹³ *People ex rel. Bernardi v. City of Highland Park*, 121 Ill. 2d 1 (1988).

¹⁴ *People ex rel. Lignoul v. City of Chicago*, 67 Ill. 2d 480 (1977).

¹⁵ *Carlson v. Briceland*, 61 Ill. App. 3d 247 (1st Dist. 1978).

¹⁶ *City of Chicago v. Powell*, 315 Ill. App. 3d 1136 (1st Dist. 2000).

¹⁷ *Village of Bolingbrook v. Citizens Utilities Co.*, 158 Ill. 2d 133 (1994).

¹⁸ 235 ILCS 5/6 18; *Sip and Save Liquors, Inc. v. Daley*, 275 Ill. App. 3d 1009 (1st Dist. 1995).

¹⁹ *People v. Jaudon*, 307 Ill. App. 3d 427 (1st Dist. 1999).

²⁰ 235 ILCS 5/6-18

public health, safety, morals and welfare.²¹ A home rule municipality may regulate the differential in price between self-service and full-service gasoline.²² A home rule unit may adopt regulations relating to contracts between landlord and tenant.²³ Even in areas where partial preemption has taken place, home rule communities still have the power to supplement state law so long as the local ordinance does not seek to reduce state minimum standards or provides for a lesser penalty than state law imposes.²⁴ Chicago was allowed to use its home rule powers to confiscate and destroy a firearm owned by a non-resident because this non-registered weapon had no protection under state law.²⁵

B. Zoning and Subdivision

In matters of zoning, subdivision control and planning, home rule municipalities may make procedural changes, as long as they meet the tests of due process, equal protection of the law and other constitutional guarantees.²⁶ Municipalities possess broad basic zoning authority, which is only expanded by home rule powers. Home rule units may zone landfill sites as long as standards similar to those in state environmental law are utilized.²⁷ Any extraterritorial jurisdiction for zoning still depends upon the grant of the powers contained in Division 13 of Article 11 of the Illinois Municipal Code. Extraterritorial subdivision control and planning is still subject to Division 12 of Article 11 of the Illinois Municipal Code.²⁸

²¹ ILL. CONST. 1970 ART. 7, §6(a)

²² *Midwest Petroleum Marketers Ass'n v. City of Chicago*, 82 Ill. App. 3d 494 (1st Dist. 1980).

²³ *City of Evanston v. Create*, 85 Ill. 2d 101 (1981).

²⁴ *City of Chicago v. Pollution Control Board*, 59 Ill. 2d 484 (1974); *Village of Park Forest v. Thomason*, 145 Ill. App. 3d 327 (1st Dist. 1986).

²⁵ *City of Chicago v. Taylor*, 332 Ill. App. 3d (1st Dist. 2002).

²⁶ *Cain v. American National Bank and Trust Co.*, 26 Ill. App. 3d 574 (1st Dist. 1975).

²⁷ *County of Cook v. Sexton*, 86 Ill. App. 3d 673 (1st Dist. 1980).

²⁸ *City of Carbondale v. Van Natta*, 61 Ill. 2d 483 (1975).



C. Personnel

A home rule municipality may extend the period of probation for employees to achieve full or limited tenure rights otherwise provided by the statute.²⁹ A home rule community may elect to combine its police and fire departments,³⁰ or to grant its police chief the power to discharge a probationary police officer,³¹ and may require its police officers to participate in the police pension fund as a condition of employment.³² It may also adopt procedures different from those established in the state statutes for the discipline, discharge or promotion of personnel.³³ It may, for example, pass an ordinance granting to the police chief, rather than the board of fire and police commissioners, the power to make temporary appointments.³⁴

D. Enforcement of Zoning, Building and Related Codes on Other Governmental Bodies

Other public bodies are not exempt from a home rule municipality's zoning ordinances or codes relating to subdivision drainage and parking requirements.³⁵ A governmental body, the territory of which is located within a municipality, must also comply with a home rule unit's applicable building codes.³⁶

²⁹ *Scott v. City of Rockford*, 66 Ill. App. 3d 338 (1978).

³⁰ *Village of Rosemont v. Mathias*, 109 Ill. App. 3d 894 (1st Dist. 1982).

³¹ *Cheek v. Dye*, 108 Ill. App. 3d 711 (4th Dist. 1982).

³² *Sanders v. City of Springfield*, 130 Ill. App. 3d 490 (4th Dist. 1985).

³³ *Messina v. City of Chicago*, 145 Ill. App. 3d 549 (1st Dist. 1986); *Mandarino v. Village of Lombard*, 92 Ill. App. 3d 78 (2d Dist. 1980); *Resman v. Personnel Board of the City of Chicago*, 96 Ill. App. 3d 919 (1st Dist. 1981); *Hoffman v. Board of Fire and Police Commissioners of the City of Peoria*, 86 Ill. App. 3d 505 (3d Dist. 1980); *Kadzielawski v. Board of Fire and Police Commissioners of Skokie*, 194 Ill. App. 3d 676 (1st Dist. 1990).

³⁴ *Kotte v. Normal Board of Fire and Police Commissioners*, 269 Ill. App. 3d 517 (4th Dist. 1995).

³⁵ *Wilmette Park District v. Village of Wilmette*, 112 Ill. 2d 6 (1986).

³⁶ *Village of Swansea v. County of St. Clair*, 45 Ill. App. 3d 184 (5th Dist. 1977); *Lake County Public Building Commission v. City of Waukegan*, 273 Ill. App. 3d 15 (2d Dist. 1995).

Thus, building and related codes would apply to park districts, sanitary districts, counties and other public bodies. These public bodies (except for school districts which are covered by a statewide code) would be required to obtain building permits at the established fees and to build in compliance with the codes. However, it is unclear as to whether a home rule municipality may use its ordinances to prevent construction of facilities by a governmental body where the structure to be built is central to the operation of the task given by statute to the other governmental body. Home rule units may also not block the operation of the facilities of regional governments.³⁷ The appellate court held that a home rule unit may not subject the Board of Trustees of University of Illinois, an arm and instrumentality of the state, to its building, health and safety ordinances.³⁸

A home rule unit may exercise the power of eminent domain in an area not established by the legislature, but the enactment may be overturned if it is vague or overbroad.³⁹

E. Taxation

Home rule municipalities have a broad general power to tax. Except where restricted by statute (to date, the tax cap does not apply to the tax levy of home rule communities), a home rule municipality may impose any kind of taxes it wishes—property taxes, certain sales and use taxes, inheritance taxes, motor vehicle taxes, tobacco products taxes, hotel/motel taxes, per capita head taxes, leasing taxes, admission taxes, wheel taxes, gasoline taxes and amusement taxes, provided that such taxes are not based on or measured by income, earnings, or occupations, or pre-empted by state legislation. The Illinois Constitution, at Article VII, Section 6, gives to home rule units of government the power to impose taxes measured by income or earnings or upon occupations only as granted by state statute.

³⁷ *City of Evanston v. Regional Transportation Authority*, 202 Ill. App. 3d 265 (1st Dist. 1990).

³⁸ *Board of Trustees of University of Illinois, v. City of Chicago*, 317 Ill. App. 3d 569 (1st Dist. 2000).

³⁹ *City of Wheaton v. Sandberg*, 215 Ill. App. 3d 220 (2d Dist. 1991).



However, the Chicago service tax ordinance was declared invalid.⁴⁰ In addition, a home rule tax on utility services was an improper tax on services rather than a tax on tangible goods.⁴¹ Moreover, successful home rule taxes will place the incident of the tax on the purchaser, but require the seller-business owner to account for the collection and turnover of the tax proceeds to the municipality.⁴² However, when a court finds that too many legal responsibilities and obligations have been placed on a person providing a service, a home rule tax ordinance may be found unconstitutional even if it contains a declaration that the tax is on the purchaser of the service.⁴³

If taxes are levied carefully and precisely on the incidence of the activity or transaction rather than on the seller, they will likely be declared valid. A motel tax, for example, is proper if it is paid by the guest on the privilege or incidence of renting the room rather than on the gross receipts or activity of the motel owner.⁴⁴ The Illinois Supreme Court also upheld a tax on the sale of packaged alcoholic beverages by a home rule county,⁴⁵ a municipal employee head tax payable by the employer,⁴⁶ a municipal admissions tax as applied to horse racing events,⁴⁷ and a municipal amusement tax even when collected against a park district.⁴⁸ Similarly, the Court upheld a City of Chicago tax on boats moored in harbors operated by the Chicago Park District.⁴⁹

⁴⁰ *Commercial National Bank of Chicago v. Chicago*, 89 Ill. 2d 45 (1983).

⁴¹ *Waukegan Community Unit School District No. 60 v. City of Waukegan*, 95 Ill. 2d 244 (1982).

⁴² *Bloom v. Korshak*, 52 Ill. 2d 56 (1972).

⁴³ *Commercial National Bank v. City of Chicago*, 89 Ill. 2d 45 (1981).

⁴⁴ *Marcus Corp. v. Village of South Holland*, 120 Ill. App. 3d 300 (1st Dist. 1983).

⁴⁵ *Mulligan v. Dunne*, 61 Ill. 2d 544 (1975).

⁴⁶ *Paper Supply Co. v. City of Chicago*, 57 Ill. 2d 553 (1974).

⁴⁷ *Town of Cicero v. Fox Valley Trotting Club*, 65 Ill. 2d 10 (1976).

⁴⁸ *Board of Education, School District 150 v. City of Peoria*, 76 Ill. 2d 469 (1979).

⁴⁹ *Chicago Park District v. City of Chicago*, 111 Ill. 2d 7 (1986).

This broad taxing power may be limited or denied only by a three-fifths vote of each House of the General Assembly.⁵⁰ An example of this expanded power is that home rule municipalities may levy a tax for library purposes different in amount from that recommended by the library board or in an amount greater than permitted by statute.⁵¹ The courts will not review whether the tax levy of a home rule municipality is justified because the power to limit such taxes resides in the General Assembly, which in this case had not acted to limit the taxing power. The cases which limited the power of a government to tax when it had a surplus of funds do not apply in home rule units. The issue is political, not legal.⁵²

The power to impose an income tax is treated separately in the local government article of the Illinois Constitution, which makes it clear that the General Assembly may authorize a municipal income tax.⁵³ However, until the General Assembly authorizes such a tax, home rule municipalities have no power to levy an income tax.

Even with broad home rule tax powers, a community may take an action which requires other governments to carry out its goal. The courts may find this to be overreaching. So, the courts found an attempt by a home rule community to extend the time for the passage of the annual appropriation ordinance to be invalid because this act could cause serious problems for the county clerk in the timely determination of rates and for the county collector in the orderly collection of taxes.⁵⁴

Home rule cities and counties may each tax the same event or transaction. The Illinois Supreme Court has held that a Cook County tax upon the sale of motor vehicles was valid within a

⁵⁰ ILL. CONST. 1970 ART. VII, §6(g).

⁵¹ *City of Rockford v. Gill*, 75 Ill. 2d 334 (1979).

⁵² *Trust No. 1105 v. People ex rel. Little*, 328 Ill. App. 3d (4th Dist. 2002).

⁵³ ILL. CONST. 1970 ART. VII, §6(e)(2).

⁵⁴ *In re Application of Anderson*, 194 Ill. App. 3d 414 (2d Dist. 1990).



home rule municipality which imposed its own tax on such a sale.⁵⁵

F. Elections

Court decisions have indicated that home rule communities may have certain powers regarding elections governing purely local issues. For example, a home rule municipality may choose, by referendum, to have nonpartisan elections,⁵⁶ to change the clerk from an appointive to elective office or to change the number of trustees and terms of office.⁵⁷ A home rule municipality may enact an ordinance providing for the recall of elected officials, but neither home rule nor non-home rule units may use referenda to adopt recall procedures under Article VII of the Illinois Constitution.⁵⁸ A home rule unit may also hold a referendum to provide for runoff elections, but the proposition must clarify the procedure and include the dates for the runoffs and the number of candidates to participate.⁵⁹ In 2005, the Attorney General opined that a home rule municipality may by referendum choose to elect its officers via cumulative voting or by instant run-off voting.⁶⁰

G. Finance

In financial matters relating to the expenditure of its funds, a home rule municipality need not be bound by state law requiring prior appropriation.⁶¹

⁵⁵ *City of Evanston v. County of Cook*, 53 Ill. 2d 312 (1972).

⁵⁶ *Boytor v. City of Aurora*, 81 Ill. 2d 308 (1980).

⁵⁷ *Clarke v. Village of Arlington Heights*, 57 Ill. 2d 50 (1974); *Brown v. Perkins*, 706 F.Supp. 633 (N.D. Ill. 1989).

⁵⁸ *Williamson v. Doyle*, 103 Ill. App. 3d 770 (1st Dist. 1981).

⁵⁹ *Leck v. Michaelson*, 111 Ill. 2d 523 (1986).

⁶⁰ ILL. ATT'Y GEN. OP. NO. 05-007.

⁶¹ *City of Burbank v. Illinois State Labor Relations Bd.*, 185 Ill. App. 3d 997 (1st Dist. 1989).

H. Special Assessments

Home rule municipalities have full power to levy special assessments in order to make local improvements. The General Assembly never may take away this power, except by constitutional amendment.⁶² Under the 1870 Constitution, a municipality could levy special assessments only as authorized by the General Assembly. Moreover, under the 1970 Constitution, home rule municipalities may exercise their special assessment power jointly with other local governments.

I. Special Service Area Tax

The 1970 Constitution grants all municipalities, home rule and non-home rule, the power to levy or impose additional taxes and to incur debt to finance special services, such as street lights, paving and sewers, in certain areas within the municipality.⁶³ In the past, by reason of the tax uniformity requirement, all the taxpayers of a municipality were required to pay for a new project financed by general taxation, even if it served only a limited area of the municipality. The Illinois Supreme Court has held, however, that no property taxes may be levied to support such projects without specific enabling legislation.⁶⁴ Such legislation was then passed and is in effect.⁶⁵ A home rule community may also elect to exempt certain property within a special service area from tax otherwise payable.⁶⁶ A home rule unit may extend a special service area tax based on a standard other than assessed value but it may not force a county to collect this tax and must do so itself.⁶⁷

⁶² ILL. CONST. 1970 ART. VII, §6(1).

⁶³ *Coryn v. City of Moline*, 71 Ill. 2d 194 (1978); *Sweis v. City of Chicago*, 142 Ill. App. 3d 643 (1st Dist. 1986).

⁶⁴ *Oak Park Federal Sav. and Loan Ass'n v. Village of Oak Park*, 54 Ill.2d 200 (1973); *See also*, ILL. ATT'Y GEN. OP. NO. S-951 (1975).

⁶⁵ 35 ILCS 200/27-5, *et seq.*

⁶⁶ *Elgin National Bank v. Rowcliff*, 109 Ill. App. 3d 719 (2d Dist. 1982).

⁶⁷ *County of Will v. Village of Rockdale*, 226 Ill. App. 3d 634 (3d Dist. 1992).



J. Debt

The 1970 Constitution vastly liberalized local debt provisions. The 1870 Constitution had a rigid debt incurring limit of 5% of the assessed valuation of local property. Revenue bonds were not subject to that limit.

The constitution establishes separate rules for debt payable from property taxes and debt payable from other sources, such as revenue from a utility, corporate funds, and taxes other than property taxes. A home rule municipality begins with the unlimited power to incur debt payable from property taxes. The General Assembly may limit this power by establishing statutory debt limits and referendum requirements for bonded debt payable from *ad valorem* (imposed at a percentage rate against the value of the item taxed) property taxes. However, the General Assembly may never set limits lower than:

- (1) 3% of the assessed property valuation if the municipality has 500,000 people or more;
- (2) 1% of the assessed property valuation if the municipality has more than 25,000 people but less than 500,000;
- (3) ½% of the assessed property valuation if the municipality has 25,000 people or fewer.⁶⁸

The sale of such non-referendum debt may be authorized by the passage of an ordinance enacted by the corporate authorities. Since the passage of the constitution, no statutory limits have been imposed upon the debt incurring powers of home rule units. Laws presently in force which allow the establishment of tax caps throughout the state do not limit home rule debt.

The Illinois Supreme Court has approved the sale of general obligation bonds payable from property taxes by a home rule

⁶⁸ ILL. CONST. 1970 ART. VII, §6(k).

unit without the necessity of referendum approval.⁶⁹ The court also has authorized the use of general obligation bonds to fund land acquisition and other costs in a municipally created commercial urban development program.⁷⁰

The only restriction on home rule debt is the requirement that debt payable from property taxes must mature within 40 years.⁷¹ This is a distinct improvement over the 20-year limit contained in the 1870 Constitution.

At the same time, a home rule municipality possesses the unlimited power to incur debt payable from sources other than property taxes. This means that, if a home rule municipality wants to secure its debt by sales tax receipts, revenue bond receipts, corporate fund payments, or from any source other than property tax receipts, there is no constitutional limit on the amount of debt the municipality may incur. The General Assembly, by three-fifths vote of each House, may limit the amount of such debt. This special majority requirement for preemption gives to home rule municipalities substantial protection against interference by the General Assembly. On the other hand, the General Assembly intended this as a check against possible abuse of power by municipalities. Of course, the ability to sell bonds in an unlimited amount is not the same thing as having the money in hand. Market forces will determine whether a municipality will be able to raise money through the sale of bonds.

K. Internal Organization

All municipalities have the power, subject to approval by a referendum, to adopt, alter or repeal those forms of government provided by law. All municipalities, by referendum approval or as established by statute, may provide for their officers, their manner of selection, and their terms.⁷² This later provision will

⁶⁹ *Kanellos v. County of Cook*, 53 Ill. 2d 161 (1972).

⁷⁰ *People ex rel. City of Urbana v. Paley*, 68 Ill. 2d 62 (1977).

⁷¹ ILL. CONST. 1970 ART. VII, §6(d).

⁷² ILL. CONST. 1970 ART. VII, §6(f).



allow experimentation, with voter approval, in the basic rules by which elective officers are chosen.

In the case of *Clarke v. Village of Arlington Heights*,⁷³ the Illinois Supreme Court upheld the actions taken by Arlington Heights in increasing the size of its legislative body and providing for the office of the clerk to be appointive.⁷⁴ The village took these actions only after a proposition authorizing such changes had been approved by the electors. While, in the *Clarke* case, a referendum was required, it is now clear that, with regard to all officers whose positions are not an integral part of the form or structure of government, a home rule municipality may alter such positions merely by ordinance.⁷⁵

In the absence of a successful referendum, home rule powers may not be used to diminish the power of elected officials in such a direct manner as to shift the checks and balances written into each form of government authorized by statute. Thus, the legislative body in a home rule municipality may not take the power of appointing officers away from the mayor by seeking to convert these offices into employments which would be filled by the legislative body.⁷⁶ A commission form municipality, though home rule, may not deprive a commissioner of the power to hire and fire departmental employees and transfer that power to others without referendum approval.⁷⁷ For the same reasons, an attempt to adopt an ordinance to change the vote necessary to override a veto by the president of the county board in a home rule county was found to be an attempt to alter the form of government without the required referendum.⁷⁸ The court also

⁷³ *Clarke v. Village of Arlington Heights*, 57 Ill. 2d 50 (1974).

⁷⁴ See also, *Brown v. Perkins*, 706 F.Supp. 633 (N.D. Ill. 1989) (reduced terms of Trustees by referendum).

⁷⁵ See e.g., *Paglioni v. Police Board of City of Chicago*, 61 Ill. 2d 233 (1975) (change in disciplinary hearing procedures for police); *Peters v. City of Springfield*, 57 Ill. 2d 142 (1974) (changing mandatory retirement age); *Stryker v. Oak Park*, 62 Ill. 2d 523 (1976) (changes in composition of board of fire and police commissioners).

⁷⁶ *Pechous v. Slawko*, 64 Ill. 2d 576 (1976).

⁷⁷ *Marshall v. City of Chicago Heights*, 59 Ill. App. 3d 986 (1st Dist. 1978).

⁷⁸ *Dunne v. County of Cook*, 123 Ill. App. 3d 468 (1st Dist. 1984).

found that an ordinance which attempted to add a third commissioner to the county board of tax appeals, stagger terms, and change the manner of election was an illegal attempt to alter the board without the required referendum.⁷⁹ However, a home rule municipality may change its rules of order to require a different vote to pass a particular matter than that required by state law.⁸⁰

VIII. HOME RULE REFERENDA

Home rule referenda generally succeed when: (1) the officials can point to some specific reason why the increased powers would be beneficial to the community; (2) the public trusts its government; and (3) the residents have been educated and informed about the reasons why their leaders seek home rule powers. In one municipality which achieved home rule by referendum, the issue was the ability to sell long-term bonds in order to buy a large park site. In other communities, the issue has been the ability to regulate and tax a local amusement. Where the community has no central goal in mind, critics have often convinced voters that home rule is synonymous with higher taxes. Actually, real estate taxes tend to decrease or grow at a slower pace in home rule communities because home rule communities can tap other sources of governmental funding besides real estate taxation. Often the funding source is one which directs new taxes to businesses or industries which are major users of municipal services.

IX. HOW DO MUNICIPALITIES EXERCISE THEIR HOME RULE POWERS?

Home rule municipalities retain the powers subject to the limitations of existing Illinois law. To exercise home rule powers, a municipality must take some affirmative action. Thus, while a home rule municipality may license general contractors, that power will only spring to life if it passes a local ordinance so

⁷⁹ *Chicago Bar Association v. County of Cook*, 124 Ill. App. 3d 355 (1st Dist. 1984).

⁸⁰ *Allen v. County of Cook*, 65 Ill. 2d 281 (1976).





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Center for Governmental Studies

Northern Illinois University

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Issue: *Illinois Home Rule: A Thirty Year Assessment*

The home rule provisions in Illinois' 1970 constitution represent a unique innovation in the way states bestow power and authority on their city and county governments. Through its home rule system, Illinois gives the broadest and most liberal authority to cities and counties of any state in the nation. With Illinois now completing thirty years of home rule experience, the time is appropriate to undertake a comprehensive assessment of Illinois' experience with home rule. Such is the task of the following paragraphs.

Who uses home rule?

At the time of the November 2000 elections, Illinois had 147 cities and villages and one county (Cook) with home rule powers. Of the home rule cities, 77 had gained home rule by virtue of their size (all cities over 25,000 are granted home rule automatically unless it is rescinded in a city referendum) and 70 had gained home rule by referendum (the constitution gives cities under 25,000 this option). A list of current home rule users is provided in Table 1 on the next page.

Ironically, although a minority of municipalities and counties have home rule, over seven million Illinois residents live in a home rule community — and most have done so for more than a quarter of a century. Thus it is safe to conclude that Illinois voters have had widespread experience with home rule.

How do voters feel about home rule?

Because having a referendum on home rule is relatively easy, there have been 191 such referenda — an average of more than 6 per year — in Illinois home rule's thirty year history. As might be expected, the aggregate of those referenda present a mixed voter reaction to home rule. Voters supported home rule in 97 of those referenda and rejected it in 94 others.

As Table 2 (on page 3) shows, however, there are three different kinds of home rule referenda and each reflects a different picture of voter attitudes toward home rule.

The mission of the Center for Governmental Studies includes education of the public on important public policy issues. This article is one in a series of policy briefs designed to provide an objective view of an issue.

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table one Home Rule Units in Illinois as of November 2000

Cities and villages adopting home rule by referendum have the date of the referendum indicated. Those with no date gained home rule automatically because of population size.

I. Counties

Cook

II. Cities and Villages

Addison	Des Plaines	Mascoutah, 1979	Rock Island
Alton	Dolton	Maywood	Rolling Meadows, 1985
Alsip, 1990	Downers Grove	McCook, 1971	Rosemont, 1972
Arlington Heights	East Hazel Crest, 1989	Mettawa, 1990	St. Charles
Aurora	East St. Louis	Moline	Sauget, 1976
Barrington Hills, 1990	Elgin	Monee, 1996	Schaumburg
Bartlett	Elk Grove Village	Monmouth, 1999	Schiller Park, 1994
Bedford Park, 1971	Elmhurst	Morton Grove	Sesser, 1989
Belleville	Elmwood Park	Mound City, 1973	Skokie
Bellwood, 1994	Elwood, 1997	Mount Prospect	South Barrington, 1975
Berkeley, 1994	Evanston	Mt. Vernon, 1986	South Holland
Berwyn	Evergreen Park, 1982	Muddy, 1981	Springfield
Bloomington	Fairview Heights, 1993	Mundelein	Standard, 1975
Bolingbrook	Flora, 1975	Murphysboro, 1994	Stickney, 1974
Bryant, 1974	Freeport	Naperville	Stone Park, 1972
Buffalo Grove, 1980	Galesburg	Naples, 1982	Streamwood
Burbank	Glendale Heights	Niles	Sycamore, 1996
Burnham, 1980	Glen Ellyn	Normal	Thornton, 1980
Cahokia, 1997	Glenview	Norridge, 1973	Tinley Park
Calumet City	Glenwood, 1986	Northbrook	University Park, 1975
Calumet Park, 1976	Golf, 1976	North Chicago	Urbana
Carbondale	Granite City	Northlake, 1994	Valmeyer, 1994
Carol Stream	Gurnee	Oak Forest	Washington, 1998
Carpentersville, 1993	Hanover Park	Oak Lawn	Watseka
Champaign	Harvey	Oak Park	Waukegan
Channahon, 1982	Harwood Heights, 1995	Old Mill Creek, 1993	West Dundee, 1990
Chicago	Highland Park	Orland Park	Wheaton
Chicago Heights	Hillside, 1995	Palatine	Wheeling, 1977
Chicago Ridge, 1994	Hodgkins, 1996	Park City, 1973	Wilmette
Cicero	Hoffman Estates	Park Forest	Woodridge, 1975
Country Club Hills, 1993	Inverness, 2000	Park Ridge	
Countryside, 1972	Joliet	Pekin	
Crystal Lake	Kankakee	Peoria	
Danville	Lake Barrington, 1991	Peoria Heights, 1986	
Darien	Lansing	Peru, 1981	
Decatur	Lincolnshire, 1975	Quincy	
Deerfield, 1975	Lincolnwood, 1997	Rantoul, 1982	
DeKalb	Manhattan, 1996	Robbins, 1998	
	Marion, 1994	Rockdale, 1982	

tabletwo Home Rule Referenda Record

Years	Total Number of Referenda	Total Referenda For + or Against - Home Rule			Municipal Adoption Referenda		Municipal Retention Referenda		County Adoption Referenda	
		+	-	% +	+	-	+	-	+	-
1971-75	36	20	16	56	19	7	1	0	0	9
1976-80	42	21	21	50	8	17	13	2	0	2
1981-85	23	16	7	70	9	5	7	2		
1986-90	27	11	16	41	9	16	2	0		
1991-95	36	17	19	46	15	19	2	0		
1996-2000	27	12	15	44	12	15				
Totals	191	97	94	51	72	79	25	4	0	11

Note: Table summarizes all home rule referenda held prior to November 2000. November 2000 data not available when this report was prepared.

Do county voters support home rule?

No. Nine counties held a total of eleven referenda between 1972-76 to adopt home rule. All failed by substantial margins. In the aggregate, county voters rejected home rule by a margin of 3-1. No county has attempted such a referendum since 1976.

But the picture is more complex. The framers of Illinois' 1970 constitution wanted to strengthen county govern-

ment by encouraging the use of elected county executive officers — an office previously used only in Cook County. The framers used home rule as an inducement to the voters to adopt such a change. Instead, by combining two separate issues in one referendum, the framers effectively blocked the adoption of either an elected county executive or home rule.

But the legislature later gave voters another option: a county executive plan without home rule. Voters in several counties (e.g. Kane, Will,

Madison) adopted this plan. Many other counties have passed ordinances creating the office of county administrator to strengthen the executive function in county government.

The fact that these structural changes have taken place but county home rule has still not been adopted by referendum further emphasizes county voters' rejection of home rule for counties other than Cook. Voters in Cook County have never attempted to rescind county home rule.

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Are city and village voters more supportive of home rule?

Yes. In home rule adoption referenda, home rule support and opposition have been much more evenly divided. There have been 151 municipal adoption referenda: voters in 74 referenda voted to adopt home rule; voters in the remaining 79 referenda voted not to adopt home rule.

But some communities have had more than one referendum. Alsip, Bloomingdale, Lincolnshire, Sesser, and Stickney voters first voted to reject home rule and later voted to adopt it. Lincolnwood voters twice voted to reject home rule and then adopted it in the third referendum. Long Grove voters have rejected home rule in three different referenda. Lisle voters first adopted home rule and two years later voted it out. Correcting for these multiple referenda, the final figures emerge: 141 communities have had one or more referenda on whether to use home rule. Of these, 72 adopted home rule and 70 continue to use it. (Besides Lisle, National City also once had home rule, but the community ceased to exist when the last of its 45 residents moved away).

table^{three} Home Rule Retention Referenda

Year	Community	Outcome	Year	Community	Outcome
1972	Danville	Retain	1981	Dolton	Retain
1976	Aurora	Retain		Calumet City	Retain
	Park Ridge	Retain		Lombard	Abolish
1977	Elgin	Retain		Maywood	Retain
	Lisle	Abolish		South Holland	Retain
1978	Rockford	Retain	1982	Evergreen Park	Retain
	Rock Island	Retain		Rantoul	Retain
1979	Decatur	Retain	1983	Rockford	Abolish
	Glenview	Retain	1985	Berwyn	Retain
1980	Elmwood Park	Retain	1987	Pekin	Retain
	Highland Park	Retain	1990	Decatur	Retain
	Lincolnshire	Retain	1992	Berwyn	Retain
	Morton Grove	Retain		Park Forest	Retain
	Peoria	Retain			
	Villa Park	Abolish			
	Wilmette	Retain			

Referenda Retaining Home Rule: 25

Referenda Abolishing Home Rule: 4

Total Retention Referenda: 29

Do voters in communities with home rule support the home rule system?

Home rule's greatest voter support, by far, has come in referenda held to decide whether or not a community's existing home rule system should be retained. There have been a total of 29

such referenda; voters have opted to retain home rule in 25 or 86 per cent (see Table 3 above). In the aggregate, voters living in home rule communities have opted, by a margin of 3-2, to retain their community's home rule powers.

Of the four communities which had and then abandoned home rule, the voters in two — Lisle and Rockford — reacted negatively to actual or proposed home rule use. In two others — Lombard and Villa Park — voters rejected home rule in the mistaken assumption that it would lower their taxes (mistaken because their home rule powers had not been used to levy any taxes).

The experience of these four communities demonstrated that voters can, when motivated to do so, abolish an operating home rule system.

So, how do voters feel about home rule?

In the 152 Illinois local governments that have tried home rule in the last thirty years, 147, or 97 per cent, still have it. Voters in only 26 of these communities, or 17 per cent, have even challenged the system with a retention election. In short, *where home rule has been tried in Illinois, voters have been supportive of it.*

What issues have concerned voters?

Supporters of home rule have pointed to the value of local authority and flexibility to address local problems, lessened dependence upon the state legislature, and more freedom from

legislative mandates. They stress the greater flexibility home rule gives local governments to deal with issues of community development, to prevent community blight, and to shift local tax burdens to non-residents, primarily through sales and use taxes.

Opponents of home rule focus upon the threat of unwanted and excessive taxation under home rule governments. Sometimes, too, opponents argue that home rule gives local governments the power to suppress individual rights.

What does the record show on these issues?

There is a diverse body of evidence that indicates that home rule communities have used their more flexible powers in innovative ways to address local problems. The most commonly cited uses of home rule powers have involved economic development, control of community development, reduced borrowing costs, and local tax burdens shifted to non-residents.

Opponents argue that home rule brings much heavier tax burdens for local residents. Their claims rely on anecdotal, not empirical evidence. Surprisingly, they do not cite their most compelling case — the City of Rockford — where voters abolished home rule after the city council enacted a series of property tax increases.

In contending that home rule powers are used to suppress individual rights, opponents of home rule cite the

Morton Grove home rule ordinance prohibiting hand gun ownership. However, the Illinois Supreme Court ruled in 1984 that the ordinance did not violate any constitutional rights under either the Illinois or U.S. constitutions. (*Kalodimos v Morton Grove*, 1984).

Anticipating the potential for abusive use of home rule powers, the framers of the 1970 Illinois constitution established constitutional safeguards to prevent such abuses. There are three kinds of such safeguards: electoral recision discussed above, legislative preemption, and judicial review. The latter two are discussed in the following paragraphs.

What is legislative preemption and how has it worked?

Recognizing that there would be overlaps between state and local governments in the exercise of power, the Illinois constitution gave the Illinois General Assembly the authority to *preempt* or take away home rule powers by a 3/5ths vote of both houses or to provide for the exclusive state exercise of a power by a simple majority vote of both houses. These provisions give the legislature broad leeway to reduce home rule powers. But, while the Assembly has used its preemption powers to deal with specific issues, it has not seriously eroded the home rule authority set forth in the constitution.

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In some respects, the legislature has been supportive of home rule power. It has, for example, stipulated by law that no legislative enactment shall be construed as restricting home rule power unless that enactment has “specific language limiting or denying” the home rule power.

Except for a series of bills restricting home rule authority to license or regulate specific occupations, the General Assembly did little in home rule’s first 15 years to limit home rule powers, but such limitations have become more common in the last 15 years.

Legislative limitations can be grouped into several categories. In one category are laws like the Open Meetings Act and statutes containing state-wide rules governing public labor relations. These apply state-wide principles of good government to home rule units. A second category has clarified the state’s exclusive role in regulating certain businesses and activities. For instance, to reduce drunk driving accidents, the legislature took away home rule powers to set minimum ages for the purchase of alcoholic beverages, but it also eliminated particular drinking age problems which had faced communities with college campuses.

Third, the legislature has established exclusive state authority over certain personnel policies in local government. Again, the legislature has protected the obvious benefits that stem from uniform state-wide practices, such as state-wide municipal employee retirement programs, in this field.

Has the legislature preempted any home rule tax powers?

The final category is legislative action taken to limit home rule tax powers. The legislature imposed a referendum requirement on the use of a real estate transfer tax, effectively limiting further use of the tax. It also eliminated home rule authority to impose local sales taxes. In the latter instance, however, it authorized home rule units to raise the rate of the local portion of the state sales tax levy. Thus, while limiting home rule power and flexibility, the legislature protected home rule access to additional revenues from the use of the sales tax (called the retail occupation tax in Illinois law).

Perhaps most important is what the legislature has *not* done. It *has not* authorized local use of an income tax; it *has not* imposed a limit on real estate taxes levied with home rule powers; and it *has not* imposed limits on borrowing and indebtedness by home rule units. Furthermore, the legislature *has* exempted home rule units from complying with tax caps recently imposed on the annual rate of increase in local property taxes.

In the last ten years, the legislature also initiated the practice of “partial exemptions” — imposing obligations or denying powers to some but not all home rule units. To date, partial exemption laws have treated Chicago differently than other home rule units. This practice weakens home rule by splitting the block of legislators who represent the interests of home rule governments in the legislature. The result has been preemptions of home rule powers that local governments have been unable to prevent.

How has judicial review affected home rule powers?

Specific uses of home rule powers have often been challenged in the courts which, in turn, have frequently but not always upheld a liberal interpretation of home rule powers. For example, besides the Morton Grove handgun ordinance, the courts have upheld: the sale of general obligation bonds without a referendum (*Kanellos v County of Cook*, 1972); a home rule ordinance that authorizes actions contrary to state statutes (*Rozner v Korshak*, 1973), and a home rule ordinance that legislates concurrently with the state on environmental matters (*Chicago v Pollution Control Board*, 1974).

But the courts have also been willing to constrain home rule uses it views as excessive. It refused, for example, to enforce a Des Plaines noise pollution ordinance against a railroad, holding that noise pollution was a matter requiring regional or state-wide rather than local regulation (*Des Plaines v Chicago & Northwestern Ry.*, 1976). It struck down ordinances altering the statutory appointment powers of municipal officials, (*Pechous v Slawko*, 1976), and an ordinance imposing a local fee on filing cases in civil court (*Ampersand v Finley*, 1975).

The courts have treated the use of home rule taxing powers in a similar manner. They have: upheld home rule wheel taxes (*Gilligan v Korzen*, 1974), upheld Chicago's employers' expense tax (*Paper Supply v Chicago*, 1974), and approved a home rule admissions tax (*Cicero v Fox Valley Trotting Club*, 1976; *Kerasotes Rialto Theatre v Peoria*, 1979), but they struck down home rule utility tax levies which exceeded statutory rate limits (*Waukegan Community Unit School District v Waukegan*, 1983).

The courts thus have demonstrated that they will constrain home rule actions they deem to be beyond the scope of constitutional and statutory restrictions.

As the body of case law regarding home rule has grown, the courts have tended to reaffirm the precedents set in the early years. For instance, the courts reaffirmed, in 1998, that, despite ordinances to the contrary, home rule municipalities have a duty to bargain collectively with employee unions (*Public Labor Council v Cicero*, 1998); and they reaffirmed the principle that implied preemption is not sufficient to deny home rule communities the power to regulate matters of local affairs (*Bolingbrook v Citizens Utility Co*, 1994; *Barrington Police Pension Fund v Barrington Ethics Board*, 1997). The Supreme Court has also upheld partial preemption (*Nevitt v Langfelder*, 1993).

So what does all of this mean for Illinois' home rule system?

All of this means that the home rule system adopted in Illinois as part of the state's 1970 constitution has demonstrated after thirty years, that it is a workable system for empowering local governments. Illinois home rule has served, and continues to serve over seven million people in 148 local governments. It gives residents in non-home rule counties, cities, and villages additional options when searching for new ways to solve community problems.

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The Debate:

- *Home rule gives cities the power to solve local problems. (Supporters)*
- *Home rule gives cities too much power, especially too much power to tax. (Opponents)*

The Findings:

- *Home rule taxes reduce cities' reliance on the property tax*
- *Cities use home rule to respond to quality of life concerns.*
- *Little voter opposition to home rule was reported in home rule cities.*

issue: *The Uses of Home Rule With Special Emphasis on Taxation*

James M. Banovetz and Thomas W. Kelty

Public debate continues in Illinois over what was probably the single most significant change in Illinois law made when the state's present constitution went into effect in 1971. At issue is whether or not the constitution's home rule provisions gave individual cities too much power, especially too much power to tax.

A just completed survey, sponsored jointly by the Illinois Municipal League and the Illinois City/County Management Association, offers new insight into the way home rule governments use their home rule powers. All Illinois' home rule municipalities were asked how they were using home rule powers. Table 1 divides home rule communities into six groups based on population size and geographic location, shows how many home rule communities are in each group, and the number and percentage of respondents from each of the six categories.

tableone

Home Rule Survey Participation, 2002

Location & Size of Municipality	# Home Rule*	# Responding	% Responding
Cook Co. over 25,000 pop.	31	21	68
Cook Co. under 25,000 pop.	32	15	47
Collar Co. over 25,000 pop.	25	15	60
Collar Co. under 25,000 pop.	15	8	53
Outstate Co. over 25,000 pop.	19	13	68
Outstate Co. under 25,000 pop.	23	11	48
Total	145	83	57

* As of November 1, 2000, excluding Cook County and the City of Chicago.

The overall response rate for the largest communities, those over 25,000 population, was 65 per cent; the response rate for the 70 home rule communities under 25,000, each of which adopted home rule by referendum, was 49 percent.

Larger communities make the most intensive use of home rule powers; these are the same communities that had the highest participation rate in the survey.

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What did the survey find?

The survey found that the frequency and breadth of home rule use increased significantly in some important categories and changed little in other categories during the years since similar surveys were conducted in 1983 and 1986. (See J. Banovetz and T. Kelty, *Home Rule in Illinois: Image and Reality* (Sangamon State University: *Illinois Issues*, 1987.) Table 2 summarizes the findings from the 2002 survey and compares them to the 1983-86 surveys.

Several significant changes occurred between 1986 and 2002. First and foremost, of course, is a very significant increase in the use of home rule taxing powers. Of equal significance is an even sharper decline in the use of home rule powers to borrow money. While the first will suggest to some observers that home rule governments are misusing financial powers, the second directly countermands that conclusion.

Other significant changes are found in the increased use of home rule powers to buy, sell, or lease property and to levy higher sales taxes. But there was little significant change in the frequency with which home rule powers were used to engage in regulatory activities, to utilize intergovernmental agreements, to change the structure of government, or to extend property taxes beyond statutory limits.

Economic development uses were not categorized as such in 1983-86, but the survey results did report that the variety of uses lumped into this category made it one of the most frequent uses of home rule powers at that time and it, along with home rule taxation, remains one of the most frequent uses of home powers.

table two

Uses of Home Rule Powers

Function	1983-86	2002*
Communities reporting (Columns show percentage of respondents using home rule powers for the function)	105 or 95%	83 or 57%
Economic Development	**	83
Levy taxes based on home rule powers	57	83
Regulation	72	78
Reduce the cost of borrowed money	90	74
Buy, sell, or lease property	43	73
Regulatory Licensing	61	55
Intergovernmental Agreements	58	52
Change structure of government	30	29
Exceed Tax Caps	NA***	22
Extend property tax beyond statutory limits	16	18

* Listed in order of frequency of use

** Not tabulated, but incidence of use was second only to incurring debt

*** There were no tax caps in 1983-86.

Note: The lower survey participation in 2002 will cause some inflation in the percentages for that year since the majority of the non-participants were small communities which, in general, make much less use of home rule powers.

Doesn't the survey justify opponents' fears about home rule and higher taxation?

The survey found that home rule cities and villages are clearly making significant use of their power to levy taxes not available to non-home rule governments. Table 3 (on page 3) reports the survey's findings regarding the home rule taxes currently being levied.

Clearly, taxation has become a major use of home rule powers during the past 20 years. This finding raises the question of whether home rule tax powers are being abused or used excessively. Three other issues must be considered to answer that question: (1) on whom is the burden of this additional taxation falling (i.e., are the taxes being

paid by the same or different people), (2) are these new taxes being used to reduce, hold down, or replace other, more onerous taxes, and (3) is the total tax burden in home rule communities heavier, more oppressive, and repugnant to local taxpayers?

The third question is the hardest of the three to answer. Different cities and villages provide different services. Most provide basic police, fire, roads, and zoning services, but there are great variations in the provision of such services as ambulance, park, water, sewer, solid waste disposal, storm water collection and disposal, planning, economic development, and other services. Even in the common services, there is great variation: while all communities provide roads, for ex-

ample, not all provide and maintain curbs, gutters, and sidewalks. Further, voters in some communities want higher service levels than do voters in other communities. Because of such measurement problems, the survey did not attempt to compare either total tax levies or costs of government in home rule and non-home rule cities.

The survey did, however, gather data to answer the first two questions and it did gather information on voter response to local use of home rule powers. This information is provided in the rest of this report.

Don't local residents have to pay all the home rule taxes?

Local residents pay all the home rule taxes levied on activities in which they engage. To the extent that they shop in

their home community, they pay the added sales taxes that may be imposed by their community. If they rent hotel and motel rooms in their home community, they will also pay those taxes. But non-residents also pay a significant percentage of such taxes.

A closer look at the taxes listed in Table 3 will reveal that, of the nine taxes (excluding "other") listed there, only two, the wheel tax and the tax on the use of natural gas, are levied entirely upon residents or businesses in the community. The other seven taxes fall on non-residents as well as residents. *By using these taxes, home rule governments reduce the percentage of the local tax burden being paid by local taxpayers.*

The City of Mount Vernon offers a case in point. When the city was faced with the need to expand its sewage plant, the city's

leadership offered voters a choice. Without home rule powers, the city would have to levy higher property taxes or a new tax on utilities to pay for the sewage plant expansion. Either tax would have been paid exclusively by local taxpayers, but if the voters gave the city home rule powers, the officials promised to levy a higher sales tax to pay for the plant's expansion. Since the city had a large shopping mall which drew customers from a 50-mile radius outside the community, the use of sales taxes to pay for the expansion would mean that shoppers from outside the city would pay a portion of the cost. Faced with that choice, the voters, by a 3-2 margin, gave Mount Vernon home rule authority.

Some of the "other" taxes also fall on non-residents. The Village of Bedford Park, for example, has a large stone quarry inside its corporate limits. The village uses its home rule powers to levy a tax on the mining and removal of the stone. Enough revenues are produced from the tax so that the village does not have to levy a property tax to finance village operations and services.

The principal taxes levied by non-home rule communities (taxes on property, utility bills, and auto ownership) fall exclusively on residents. Perhaps for this reason, only one of these home rule taxes — the real estate transfer tax — has been strongly opposed by local residents. That opposition resulted in the passage of a new state law requiring local voter approval in a referendum before any new real estate transfer tax could be imposed by a home rule community.

Thus, survey data suggest that home rule tax powers have predominantly

tablethree

Use of Home Rule Taxing Power, 2002

Kind of Tax	No. of Municipalities	
	Using It	% of Total
Additional retail sales taxes*	53	60.9
Hotel-motel tax	52	59.7
Real estate transfer tax	31	35.6
Sales tax on restaurant food & beverages	22	25.3
Gasoline tax	15	17.2
Amusement tax	12	13.8
Wheel tax	7	8.0
Retail sale of new motor vehicles tax	2	2.3
Use of Natural Gas	2	2.3
Other	4	4.6
Number reporting not using any home rule tax	14	16.1

* See the discussion of sales taxes for further explanation of this item.

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been used to shift a portion of the local tax burden to non-residents. To the extent that this is so, their use lessens the percentage of the local tax burden borne by residents.

Does home rule result in excessive imposition of sales taxes?

As Table 3 reports, 61 percent of home rule communities levy sales taxes over and above the one percent rate allowed by law to all municipal and county governments in the state. The 1983-86 survey found that only five percent of home rule communities levied home rule sales taxes at that time. Thus, the single biggest change in the use of home rule powers between the 1983-86 surveys and the 2002 survey was in the much more frequent use of sales taxation to finance local government operations.

Interestingly, this increased use of sales taxes came in large part as a result of a law passed by the Illinois legislature in 1992 prohibiting home rule retail sales taxes. To replace such taxes, the state gave home rule communities authority to increase the local option component of the state retail sales tax (technically called a retail occupation tax) from the one percent authorized for all cities and counties to as much as 2.5 percent. Because this new arrangement gave home rule governments the freedom to levy higher sales taxes without having to incur any collection costs, the use of home rule sales taxes increased rapidly thereafter.

In part, too, home rule governments turned to the use of sales taxes because there is little evidence of significant voter opposition to higher sales tax

levies. What evidence is available suggests that voters support home rule in part *because* of the home rule sales tax option. The business community in Sycamore, Illinois, for example, urged the city council to ask voters for home rule approval so the city could levy higher sales taxes rather than increase property taxes to finance needed municipal improvements.

Sales taxes also provide a way of funding local services that is viewed as less painful than higher property taxes. This was the case in Mount Vernon. Other communities do this in different fashions. Carbondale, for example, dedicated a part of its home rule sales tax revenues to paying for the construction of a new high school. Eighty-three percent of Bloomingdale voters, in an advisory referendum, approved the village's plan to use higher sales taxes to purchase and preserve open space in the community.

Despite such evidence, however, if sales and other home rule taxes are accompanied by large increases in property taxes, then they could fairly be challenged as abusive. If not, such a charge would be hard to sustain.

More to the point, it is not sales and home rule taxes, but rather the potential misuse or abuse of the property tax, that has concerned home rule opponents.

So do home rule communities levy higher property taxes?

The survey evidence relating to this question is mixed. Some evidence (see Table 2) indicates that some home rule communities do use home rule powers to levy higher property taxes: 18 percent

of home rule communities levy property taxes in excess of the statutory limits that would apply to them if they did not have home rule powers, and 22 percent of the communities reported that they have, in one or more years, levied property tax increases that exceeded the tax cap limitations which applied to non-home rule communities in those years.

But there is also evidence that home rule communities, as a group, rely less on property taxes for local revenues than do non-home rule cities and villages. *In other words, the survey found support for the contention that home rule non-property taxes are widely used to hold down or reduce property tax levies.*

Table 4, for example, provides survey data which suggests that home rule communities, as a group and when divided by population size and location, rely less heavily on property taxes for their revenue than do non-home rule communities. This is true even for communities which levy taxes in excess of applicable tax caps. The data in the table compares the percentage of total municipal revenues derived from property taxes by home rule communities with the percentage for all Illinois cities, villages, and incorporated towns.

Two qualifications must be made when interpreting the data in Table 4 (on page 5):

- While only 44% of the home rule communities responded to this part of the survey, making any *definitive* conclusions difficult to reach, the data collected offers *no support* for the notion that home rule communities, on average or in

general, are imposing property tax burdens higher than those imposed in non-home rule communities (which make up the greatest part of the statewide average of all municipalities).

■ All else being equal, home rule communities should show a higher than average level of dependence on property taxation. Normally, the cost of government, on a total and per capita basis, will be higher in larger communities. Since all but one of Illinois' cities over 25,000 population have home rule powers and higher costs, and since the smallest Illinois cities and villages are predominantly non-home rule with lower costs, home rule communities should show higher dependence on property taxes. This survey provides evidence which suggests that they do not.

That Illinois home rule cities appear to rely less on property taxes is not because such cities cost less to govern and serve, but more likely because they are able to use other kinds of taxes — especially taxes paid in part by non-residents — to reduce their dependence on property taxes. It is most likely, for example, that the relatively low percentage of total revenues derived by home rule communities from property taxes is related to the widespread use of the sales tax as an alternate revenue source in those communities.

Given these considerations, the most reasonable conclusion is that (1) home rule governments, on average, do not finance a higher percentage of their costs using property taxes, but rather that (2) they do a better job of spreading their tax burdens among a variety of taxes less onerous to local taxpayers.

tablefour

Municipal Reliance on Property Taxes: Percentage of Total Municipal Revenues Derived from Property Taxes

Category	All Home Rule	Taxing Property Over Statutory Limits
Cook County <25,000	18%	23%
Cook County >25,000	18%	*
Collar Counties <25,000	13%	11%
Collar Counties >25,000	15%	*
Outstate <25,000	15%	16%
Outstate >25,000	10%	*
Statewide Average**	26%	

* Too few cases for valid statistical comparison

** Source: *Statewide Summary of Municipal Finances, 1998, Report of the Comptroller General of Illinois*

Note: Data from survey are for year 2000; statewide data are for most recent year available, 1998.

tablefive

Average Annual Growth Rates of Property Taxes

Communities	Number	Growth Rate W/O Cap	Growth Rate W/ Cap
Non-Home Rule	104	14.57	7.14
Home Rule	134	9.03	7.55

Source: R.F. Dye & T.J. McGuire, *Journal of Public Economics* 66 (1997)

Are the survey findings consistent with other published research?

Only one other study, published in the *Journal of Public Economics*, has analyzed the effect of home rule on property tax increases. In that study, summarized in Table 5, R. F. Dye and T. J. McGuire found that municipal property taxes in Illinois have increased more rapidly in non-home rule communities than in home rule communities. Even when the effects of

the tax cap are taken into consideration, Dye and McGuire did not find the rate of increase in property taxes between home rule and non-home rule communities to be significantly different.

What then can be said about the relationship between home rule and taxes?

Whatever else home rule has accomplished for Illinois cities and villages, it has managed to spread tax

policyprofiles

burdens among a larger number of different taxes and, thereby, it has reduced local reliance on property taxes.

Since property taxes are widely regarded, nationally as well as in Illinois, as the least fair form of taxation, home rule's impact can be said to have transferred the burdens of municipal finance toward taxes that enjoy, if not greater voter support, then certainly less voter animosity and opposition.

What other changes have resulted from the use of home rule powers?

The survey shows that home rule's other major impacts have occurred in the fields of economic development, regulation, and changes in the organization and structure of local governments.

Aging and declining communities use home rule to attract new business development; rapidly growing communities use home rule both to control development and to make developers pay more of the increase in public services costs attributable to their developments. Home rule communities use their expanded powers to broaden zoning regulations, negotiate tax concessions, develop special planning and subdivision control regulations, and design programs to limit and eradicate neighborhood blight and deterioration.

Illinois home rule communities, for example, have established a broad use of impact fees to help finance community development. Impact fees are fees charged developers to recover increases in governmental costs associated with real estate developments; they are a device used to protect local residents from

having to bear a high portion of the cost of expanding certain government services, such as education and parks, needed to serve residents in new subdivisions.

Home rule communities use home rule powers to impose a broad and flexible array of impact fees on developers. Non-home rule communities may require that residential developers donate land, or cash in lieu of land, to help defray the cost of school and park expansion, but the scope of their authority is much narrower than the powers being used by Illinois' home rule communities.

Initially, home rule governments used their home rule powers to impose impact fees to transfer more of the burden of expanding education and park facilities from old to new residents. More recently, home rule communities have enlarged the list of government service expansions being expanded with the help of impact fees. The first expansion was for transportation impact fees, used to enlarge and expand major arterial streets to accommodate the increased traffic that follows new development. Some communities are now adding impact fees to help cover the cost of expanding library, fire protection, and, in some cases, even general municipal service costs.

Other examples of the use of home rule powers to promote economic and community development include: establishing special economic development districts within the community with special zoning and development goals (Skokie), providing homeowner loans to improve blighted properties (Evergreen Park), authorizing city purchase of properties in blighted commercial districts (Elk Grove

Village), and providing affordable senior citizen housing sites (Wilmette).

How is home rule being used for regulatory purposes?

Table 6 (on page 7) summarizes the most common regulatory uses of home rule powers.

Examples of the use of home rule powers in the regulatory area include: increasing the frequency of building inspections of rented housing units (Northbrook, Addison, Hanover Park), requiring permits for fiber optic trenching permits (Granite City), controlling handgun ownership and use (Morton Grove, Niles), and requiring hazardous materials cleanup (Morton Grove).

How much political opposition is there to the use of home rule powers?

Respondents to the survey reported very little voter opposition to the use of home rule powers. Two questions were asked regarding voter opposition. The questions and their answers are set forth in Table 7 (on page 7). Because of the frequent turnover in local officials, and the limitations on memory, such data must be considered valid for a limited period of time, such as the last decade.

This data is also supported by the frequency of referenda called by local voters to rescind home rule powers. There were 21 such referenda between 1971 and 1981; three were successful. There were only eight such referenda between 1982 and 1992; only one was successful. There have been no such referenda in Illinois since 1992.

table six

The Regulatory Use of Home Rule Powers

Question	# Responses	%	Question	# Responses	%
Do you use home rule to:			2. Engage in licensing or franchising:		
1. Develop regulations on:			Liquor sales	15	17
Curfew	18	20	Towing truck operators	13	15
Environment	11	13	Cable TV	16	18
Liquor sales or use	35	40	Utilities	13	15
Zoning	42	48	Mobile Homes	9	10
Other juvenile concerns	13	15	Nursing homes/ retirement communities	7	8
Land use planning/subdivision control	34	39			

table seven

Measures of Voter Discontent with Home Rule

Question	Response	Number	Percent
Has there been an effort to submit a referendum to abandon home rule in your community?	Yes	3	3.4
	No	79	90.8
Have there been any periodic, significant criticism or attacks on home rule in your municipality?	Yes	1	1.1
	No	81	93.1

What does this record show?

The record would seem to indicate that there has been growing voter acceptance of home rule in the communities which are using home rule powers. While taxation is a major use of home rule powers, the home rule taxes employed spread the cost of local government to non-residents as well as to residents and appear to be easing municipal reliance on property taxes. Finally, home rule communities are employing home rule powers for purposes other than taxation, principally to promote economic development and enhance governments' ability to address a wide range of local problems using regulatory and other measures.

Home rule, in short, appears to have proven itself an important weapon in empowering local governments to respond constructively to voter and quality of life concerns.



City of Geneva

Home Rule Research Information

“Possible Uses of Home Rule in Specific Areas”

August 23, 2005

Possible Uses of Home Rule in Specific Areas

General Administration

Home rule allows for broader licensing and regulation authority for municipalities without first having to go to the state government for permission.

Examples of licensing and regulations:

- Cable
- Liquor
- Utilities
- Land Use
- Public Transit
- Mobile Homes
- Vendors
- Nursing Homes
- Tow Trucks
- Pollution

By changing to home rule, a municipality would be able to:

- Impose fines greater than the \$750 limit
- License and regulate cats
- License vending machines by ordinance
- Impose a user fee on truck traffic
- Alter curfew for juveniles
- Regulate hand gun registration and possession within city boundaries

Governmental Organization

Home rule allows for a change in the structure of municipal government based upon the approval of local voters.

Examples of governmental changes:

- Appointing a Clerk
- Creating or eliminating positions
- Changing council powers
- Changing size of council
- Changing election procedures
- Lengthening terms of an office

By changing to home rule, a municipality would be able to:

- Increase or decrease the size of the city council
- Establish a strong mayor form of government
- Change the Mayor's position from part-time to full-time or from full-time to part-time
- Make all municipal elections non-partisan
- Cease being a home rule unit through public referendum

Opposing State Mandates

Home rule allows a municipality to work around certain state mandates.

By changing to home rule, a municipality would be able to:

- Adopt a budget and appropriation ordinance process different than what is found in the state statutes
- Build and operate a hydroelectric plant without regard to specific Illinois statutory requirements
- Set mandatory retirement age below the statutory age of 63

Community Development

Home rule gives municipalities, through the use of broader zoning regulations, the ability to rehabilitate older residential neighborhoods while helping to prevent neighborhood deterioration.

By changing to home rule, a municipality would be able to:

- Enforce regulations regarding property maintenance costs
- Adopt a housing code provision prohibiting owners of vacant houses from leaving the property boarded up and unused longer than six months
- Revise zoning regulations
- Require a license to install or maintain burglar and/or fire alarms
- Broaden the use of eminent domain in acquiring blighted or deteriorated properties

Financial Tools

Home rule gives municipalities the ability to develop creative financing and incur debt beyond statutory limits, in order to expediate local economic development.

Examples of financial development:

- Authorize municipal acquisition, redevelopment, and sale of blighted areas

- Issue non referendum general obligation bonds for private loans or for the purpose of development
- Allows local officials more latitude to bargain with developers
- Revenue bonds can be used to finance projects which are not specified in state statutes, at higher interest rates
- Issue revenue bonds to provide capital for low-interest residential loans
- The ability to use ordinary bank loans as an alternative, which may not be available under statutory law to non-home rule units
- Secure Industrial Revenue Bonds not subject to outside competition
- Adopt investment policies not restricted by state statutes
- Provide subsidies or credits to private businesses using non-referendum general obligation bonds as loan guarantees

By changing to home rule, a municipality would be able to:

- Issue development revenue bonds to help develop a shopping center
- Issue a sales tax rebate to a new or expanding business in order to attract new retail
- Adopt investment policies not included in state statutes
- Use non-referendum general obligation bonds for private loans for construction of housing for the elderly
- Issue non-referendum general obligation bonds to build a new civic center
- Issue non-referendum general obligation bonds to construct parking ramps

Taxing Authority

Home rule allows municipalities to impose taxes not available to non home rule municipalities. Home rule municipalities are not subject to limitations set by state statute on property tax rates or bonded indebtedness.

Examples of taxes that home rule municipalities can impose or are freed from state restrictions are:

- Real Estate Transfer Tax
- Hotel/Motel
- Utility
- Property taxes
- Amusement
- New motor vehicle
- Gasoline
- Food and Beverage
- Liquor
- Mobile Homes

By changing to home rule, a municipality would be able to:

- Adopt a restaurant tax to fund a convention or visitor's bureau
- Give a sales tax rebate to new or expanding businesses
- Impose a tax on the storage of flammable liquids
- Impose a hotel-motel tax or use the existing hotel-motel tax for any purpose deemed necessary
- Impose a tax on retail sales that is limited to the first \$500
- Impose a tax on the retail sale of automobiles
- Impose a tax on cigarettes
- Impose a tax on gasoline
- Impose a real estate transfer or exit tax, local moves exempted

Police and Fire

Home rule allows municipalities to organize the Police and Fire departments in unique ways that better serve the municipalities.

Examples of better organization of Police and Fire Departments are:

- Creation of alternatives to Police and Fire Commissions
- Create exempt ranks
- Change Commission powers
- Create new positions

By changing to home rule, a municipality would be able to:

- Create two police deputy chief positions
- Hire a personnel director and personnel board instead of having a Police and Fire Commission
- Give Police and Fire Commissioners more authority over personnel including demotions
- Transfer power to hire police officers from Police and Fire Commission to the City Manager/Administrator

Conclusion

These are just some of the many possible uses for Home Rule. Since the 1970 Illinois Constitution states that the "... powers and functions of home rule units shall be construed liberally." (Art. VII, Sec. 6), this allows for home rule municipalities to find more creative ways to manage local municipalities.

HOME RULE

A REPORT FOR THE CITY OF GALENA

February 2, 2004

February 2, 2004

Galena City Council
312 1/2 North Main Street
Galena, Illinois 61036

RE: Home Rule

Honorable Mayor Auman and Alderpersons:

Home Rule Committee members did research and met between December 10th and January 28th in order to complete the following directives from the City Council relating to Home Rule:

1. Define the powers that would confer to the City of Galena
2. Identify ways in which the City of Galena could utilize Home Rule powers
3. Assess the possible impact on the community from the exercise of these powers
4. Prepare a written report addressing these issues and present the report to the City Council at a special council meeting on Monday, February 2, 2004.

This report is an attempt to present the facts relating to home rule. The various opinions of the committee members (neutral, in favor of and opposed to home rule) were relied upon to ensure an unbiased presentation of these facts. This report is in no way intended to be a recommendation for or against home rule.

We have attempted to be thorough in our research, but our efforts cannot be considered exhaustive. Before the Council takes action in any manner relating to home rule, it is recommended that additional research and consultation be undertaken. Individuals who have been helpful to our efforts and could serve as resources to the council are listed in Appendix A.

We hope that this information will be helpful as you, and our community, consider the home-rule option for Galena.

Sincerely,



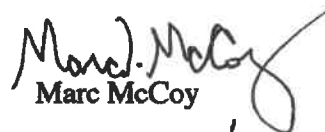
Beth Baranski



Tom Horman



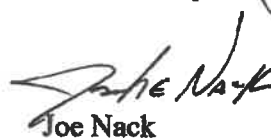
Kathie Farlow



Marc McCoy



Doris Glick



Joe Nack



Joel Holland

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INTRODUCTION

The U.S. Constitution makes no mention of local government. Local governments were created by the states. When most states were young, society was predominately rural, and cities were not large or important. As cities became more important, and had more responsibilities, many states saw that they needed to have additional powers to be able to more effectively handle their affairs. 46 states currently have home rule options. The table in Appendix B (pp. 24-28) contains a listing of the states and the nature of their home rule options.

When a new Illinois Constitution was adopted in 1970, it provided for Illinois counties and municipalities to have home-rule powers (see "Appendix C: Constitution of the State of Illinois, Article VII -Local Government, Section 6. Powers of Home Rule Units" on p. 29). Municipalities with populations over 25,000 were automatically granted home-rule powers. Communities with populations of 25,000 or less were given the ability to become home-rule by referendum.

Cook County is the only home-rule county in Illinois. There are currently 159 home-rule communities in Illinois (see "Appendix D: Illinois Home Rule Communities and their Populations on pp. 30-34). Of the 12,419,293 people living in Illinois (2000 Census), 7,209,278 or 58% currently live in home-rule communities. Nearly half of these communities (76 of them) became home rule automatically because they had populations over 25,000. The remaining 83 communities adopted home-rule by referendum. Over half of the 83 communities that adopted home-rule (42) had populations under 6,000. Four communities which had been home rule, voted by referendum not to be home-rule: Rockford (pop. 150,115), Villa Park (pop. 22,075), Lisle (pop. 21,182), and Lombard (pop. 42,322).

A referendum to become home rule may be called for either by resolution of the governing body or by petition of the electors. The petition must be signed by a number at least equal to 10% of the number who voted in the last general election; and it must be filed with the clerk of the unit of government in question. The governing body may schedule the referendum to be held at a general, regular election. The referendum must be held no later than the first general or regular election occurring at least 78 days after the filing of the petition or the adoption of the resolution. If the proposition fails, it may not be presented again for two years. The statutory provisions governing home rule referenda are found in Chapter 10, Act 5/28-4 of the Illinois Compiled Statutes. The same provisions apply to a referendum to eliminate home rule, except that issue may not be voted on more than once in four years.

HOME RULE POWERS AND LIMITATIONS

The Home Rule powers granted by the Illinois Constitution are very broad. Under Home Rule local governments can exercise any local powers not denied them by the State. Without Home Rule they can exercise only those powers explicitly given to them by the State. Rather than the granting of a specific set of powers, home rule gives local units of government the authority to act as they see fit with some limitations set by the constitution, and by legislative action taken by the Illinois General Assembly. In some cases, communities have placed self-imposed local limitations on their home-rule powers.

Constitutional Limitations

The Illinois Constitution states that "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". These powers have been very broadly interpreted by the courts. However, in several cases, the Illinois Supreme Court has struck down ordinances of home rule units on the grounds that they did not pertain essentially to the "local government and affairs" of that unit. For example, Cook County's function of collecting property taxes could not be altered using home rule powers, according to one Supreme Court opinion, since it is a function serving *all* the taxing districts within the county area.

The Constitution specifically states that home rule units do not have the following powers: to incur debt payable from ad valorem property tax receipts maturing more than 40 years from the time it is incurred; to define and provide for the punishment of a felony; to have an income or occupation tax; or to license for revenue.

Legislative Limitations

Since home rule was authorized by the constitution, the State Assembly has passed some legislation limiting home rule powers. Examples include the limitation of utility taxes to 5% (the same limit that non-home rule communities have), and the requirement for home rule units to hold a referendum to impose a real estate transfer tax.

In at least one case, the legislature has added support for home rule. Home rule communities were included in H.B. 1208 which gave municipalities immunity from anti-trust prosecution: it protected home rule units from having to rebate tax revenues received from home rule taxes that are later ruled unconstitutional by the court; and it permitted communities that had abandoned home rule powers to continue to enforce liquor regulations previously enacted with home rule powers.

Local Limitations

Downers Grove, Illinois became a home rule unit automatically in 1970, by virtue of its population (over 25,000). In 1995, to keep its home rule authority from being voted out, it adopted a policy resolution that made the Village Council directly responsible for making the public aware of any action being considered that any non-home rule unit would NOT have been allowed. The policy stated that the Village had to publish a summary of the ordinance, along with the actual ordinance. The document had to be distributed to public places (library, city office, grocery stores), and the issue could not be voted on for at least 2 Village Council meetings after publication distribution. They also had to hold public hearings on the merits of the ordinance presided over by the Mayor, or his/her designee. Finally, the policy states that if petitions opposing the ordinance are submitted, having signatures totaling at least 10% of the total votes that were cast for the mayor in the preceding election, an advisory referendum must be held. If the referendum failed, then the policy stated that the Village

Trustees must also vote down the ordinance. The Downers Grove policy is included in Appendix E (pp.35-36).

Oakbrook Terrace, Illinois, which obtained home rule status by referendum in 2002 (their 3rd try), imposed a tax cap ordinance on itself. The City Council adopted a home-rule property tax cap patterned after the Illinois *Property Tax Extension Limitation Law* (PTELL) that is currently in effect for the non-home rule units within their county. In essence, home rule authority allowed it the ability to operate outside of PTELL, but Oakbrook Terrace then ungranted itself that authority. A complete set of information including promotional materials and ordinances related to Oakbrook Terrace's adoption and use of home rule is included in Attachment A.

THE USE OF HOME RULE POWERS

The ways that home-rule powers have been used is as varied as the communities that have used it. As time has gone on, communities have continued to invent new approaches to handling the business of government that would not have been possible without home-rule. It should be expected that new uses of home-rule power will continue to evolve, therefore it is impossible to compile a complete listing of "home rule powers". This section describes commonly-used home-rule powers and, when possible, estimates the impact these powers might have if used in Galena. The various powers have been divided into two broad categories: General Powers and Taxing Powers.

GENERAL POWERS

Borrowing

Surveys of home-rule communities conducted in 1983 and 1986 showed that borrowing flexibility was the most commonly used home rule power. Home rule units may incur more debt than allowed by state law or for purposes other than those allowed by law, without referenda which may be required by law, and at higher interest rates than those allowed by law. For example, general obligation bonds are being issued by some home rule units without the referendum approval that is required of non-home rule units. Also, revenue bonds have been used to finance commercial and hospital projects which are not specified in the statutes, and at interest rates higher than those allowed by law. Several home rule units have issued revenue bonds to provide capital for low-interest residential mortgage loans. Home rule units have also made use of ordinary bank loans, an alternative that may not be available to non-home rule units.

Flexible Levy Rates

Home rule units are not limited by statutory levy rate limits. They can raise and lower rates to tailor their levy rate categories to fit the community's needs. Some home rule communities are levying property taxes at rates higher than those allowed by state law. In some cases this may be misleading. Home rule units have the power to consolidate a number of separate levies into one, or into several larger levies that exceed statutory limits. This can be an administrative convenience. The total municipal tax rate may or may not be larger, in such a case, than if they had continued to use a number of separate levies under rate limits. In short, the fact that a particular levy exceeds a rate limit does not by itself indicate that the home rule unit's property taxes are higher than if it were not a home rule unit.

Economic Development

Notes taken from various articles documenting the use of home rule powers suggest that economic development objectives have been obtained primarily through home rule flexibility for bond issues (see "Borrowing" above). Specific examples from articles (Attachment G) about home rule follow:

- Park Forest South (issued industrial revenue bonds to develop a shopping center)
- Flora and Bryant (industrial revenue bonds)
- Standard (greater housing & community development powers)
- Sauget (to expedite the marketing of industrial revenue bonds)
- Normal (1983-1986, to develop new agreements with other units of government; to purchase and sell real property; to levy a hotel-motel tax; to use general obligation and industrial bonds; to assess development fees in order to finance storm water storage facilities; to revise land use, zoning and liquor regulations;

and to license a telecommunications line running through the community – most of these were for successful effort to attract the Diamond-Star automotive plant)

- Highland Park (to develop low and moderate income housing)
- Channahon (offered a home rule sales tax rebate)

Government Structure

A home rule unit has the power - subject to approval by referendum - to adopt, alter or repeal a form of government provided by law. A home rule municipality also has the power to provide for its officers, their manner of selection and terms of office only as approved by referendum or as otherwise authorized by law. Examples taken from various articles on home rule follow:

- Arlington Heights (to increase size of city council)
- Aurora (to establish a strong mayor form of government, and the city's voters approved a referendum which made all municipal elections nonpartisan)
- Burbank (modified its local election procedures to require that aldermen must be elected at large but must reside in the ward they represent and no more than one alderman may be elected from any one of the city's wards)
- Bryant (so powers would be available if ever needed)
- Carbondale (transferred the power to appoint police and fire officers from its Board of Police and Fire Commissioners to its city manager)
- Champaign (to increase size of city council)
- Park Forest (abolished Board of Fire and Police Commissioners and replaced it with a personnel director and personnel board)
- Peoria (to increase size of city council)
- Rosemont (gave its Board of Police and Fire Commissioners the added power to demote police officers one grade in rank as a disciplinary measure)
- Springfield (set police & fire officers retirement at 60, below statutory age of 63)
- Stone Park (changed mayor's position from half-time to full-time and changed salary)
- Wheaton (to assume operation of an abandoned drainage district)

Avoidance of State Mandates

It appears that unless home rule communities are specifically included in state mandates, they need not heed them. In Saline County, Muddy adopted home rule when it feared the General Assembly would adopt rules requiring two police officers in each squad car, a luxury clearly beyond the budget of a community of 88 persons.

Park Forest negated the application of the state curfew law.

Licensing and Regulation

Various articles on home rule yield the following examples of community use of powers relating to licensing and regulation:

- Calumet Park (to raise the drinking age to 21)
- Deerfield (to curb juvenile vandalism)
- DeKalb (new approaches to regulation of landlord-tenant relations)
- DesPlaines (noise control ordinance)
- Downers Grove (regulation of private wells)
- McCook and Bedford Park (to control special industrial pollution problems)
- Niles (to license to install & maintain burglar & fire alarm systems)
- Park City (to regulate mobile home park operators)
- Rockford (required permits to operate self-service gas stations)
- Rosemont (licensing & regulation of cats)
- Watseka (to regulate itinerant solicitors)
- Woodridge (liquor regulation)

TAXING POWERS

In general, home rule allows communities a broader range of taxing options than non-home rule communities. With the exception of the real estate transfer tax, home rule taxes can be imposed by municipalities by ordinance rather than by referendum, and with the exception of utility taxes, the state does not appear to set limits on the tax rates. Listed below are examples of taxes that have been imposed by various Home Rule municipalities that have withstood judicial scrutiny. The list is not meant to be exhaustive.

- | | | |
|-------------------|-------------------|-------------------------|
| - Amusement tax | - Mobile Home tax | - Gasoline tax |
| - Parking tax | - Wheel tax | - New motor vehicle tax |
| - Hotel/Motel tax | - Liquor tax | - Sales tax |

Some of these taxes are described more fully below. When possible, specific information about how the various taxes would impact Galena are provided, and figures are broken down as far as who would pay what portion of the tax (Galena residents or visitors to Galena).

Home Rule Retailers' Occupation Tax and Service Occupation Tax (Sales Tax)

Only those home rule municipalities or counties that have imposed the tax by local ordinance or resolution receive home rule sales tax distributions. The Illinois Department of Revenue administers the home rule sales tax. Home rule communities must file a certified copy of an ordinance establishing, increasing or decreasing home rule sales tax on or before April 1st for the rate to take effect July 1st, and on or before October 1st for the rate to take effect January 1st of the next year. A home rule unit imposing a Home Rule Retailer's Occupation tax must also impose a Home Rule Service Occupation Tax at the same rate. Home Rule Retailers' Occupation Tax applies only to sales of general merchandise, not to items that require title or registration, or to the sales of qualifying food, drugs, or medical appliances.

Home rule sales tax must be imposed in 0.25 percent increments. There is no maximum rate limit. Distributions for home rule taxes are made monthly on the same cycle as distributions for other sales taxes. Interest income earned by the state on home rule sales taxes are included in the sales tax check issued, along with a detailed breakdown of the interest and tax.

Home rule communities imposing a home rule sales tax may enter into a reciprocal agreement for exchange of information with the state. This exchange allows designated individuals within the home rule unit to receive specific financial information (e.g. sales tax figures collected by each business). This information must be kept confidential.

Of the 159 home-rule communities, 112 have imposed a home rule sales tax, with the home-rule tax rates ranging from 0.25% to 1.50%. The combined rate (including the state and county taxes) in these communities ranges from 6.75% to 9.25%. A complete current listing of "Sales Tax Rates in Home Rule Units of Local Government" can be found in Appendix F on pp. 37-40.

Sales tax amounts are based on taxable sales of merchandise collected from registered retailers and servicepersons. Broad categories of sales documented by the Illinois Department of Revenue include the following:

1. General Merchandise
2. Food
3. Drinking and Eating Places
4. Apparel
5. Furniture, Household, and Radio

6. Lumber, Building, and Hardware
7. Automotive and Filling Stations
8. Drugs and Miscellaneous Retail
9. Agriculture and All Others
10. Manufacturers

Galena's current sales tax rate is 6.75%. This rate consists of 5% that goes to the state, 0.25% that goes to the county, 0.5% that goes to the city to help pay for the construction and maintenance of the new sewage treatment plant, and 1% that goes to the city for general use. A 1% tax is also collected by the City on food, drugs and medical appliances. Increases in the municipal sales tax rate under home rule would not increase the sales tax rate applied to food, drugs and medical appliances. In 2003, Galena collected a total of \$753,450 in sales tax. Deducting the portion collected on food, drugs and medical appliances (\$125,320), and excluding the \$145,000.00 portion dedicated annually to the TIF District through 2008, Galena collected \$483,130 in 2003.

The following table portrays what the 2003 sales tax collected by Galena for 2003 at the current 1% rate and what it would have been with increased home-rule sales tax:

TOTAL RATE	GALENA RATE	2003 (PROJECTED)	REVENUE INCREASE
6.75%	1.00%	\$483,130	\$0
7.00%	1.25%	\$640,163	\$157,033
7.25%	1.50%	\$797,195	\$314,065
7.50%	1.75%	\$954,228	\$471,098
7.75%	2.00%	\$1,111,260	\$628,130
8.00%	2.25%	\$1,268,293	\$785,163
8.25%	2.50%	\$1,425,325	\$942,195
8.50%	2.75%	\$1,582,358	\$1,099,228
8.75%	3.00%	\$1,739,390	\$1,256,260
9.00%	3.25%	\$1,896,423	\$1,413,293
9.25%	3.50%	\$2,053,455	\$1,570,325

The tables below provide examples of local purchases and the costs at the current sales tax rate compared to increased home-rule sales tax rates:

A \$47.95 handbag from Max Mitchell Fashion Accessories:

TOTAL RATE (inc. the 5.75%)	GALENA RATE (above the 5.75%)	TOTAL TAX	TOTAL BILL	ADDED REVENUE
6.75%	1.00%	\$3.24	\$51.19	\$0.00
7.00%	1.25%	\$3.36	\$51.31	\$0.12
7.25%	1.50%	\$3.48	\$51.43	\$0.24
7.50%	1.75%	\$3.60	\$51.55	\$0.36
7.75%	2.00%	\$3.72	\$51.67	\$0.48
8.00%	2.25%	\$3.84	\$51.79	\$0.60
8.25%	2.50%	\$3.96	\$51.91	\$0.72
8.50%	2.75%	\$4.08	\$52.03	\$0.84
8.75%	3.00%	\$4.20	\$52.16	\$0.97
9.00%	3.25%	\$4.32	\$52.27	\$1.08
9.25%	3.50%	\$4.44	\$52.39	\$1.20

Dinner at a local restaurant, totaling \$18.00, including buffalo wings appetizer, (\$5.25), cup of soup (\$1.25), dinner salad (\$2.50), chicken breast sandwich (\$5.25), soda (\$1.25) & root beer float (\$2.50):

TOTAL RATE (inc. the 5.75%)	GALENA RATE (above the 5.75%)	TOTAL TAX	TOTAL BILL	ADDED REVENUE
6.75%	1.00%	\$1.22	\$19.22	\$0.00
7.00%	1.25%	\$1.26	\$19.26	\$0.04
7.25%	1.50%	\$1.31	\$19.31	\$0.09
7.50%	1.75%	\$1.35	\$19.35	\$0.13
7.75%	2.00%	\$1.40	\$19.40	\$0.18
8.00%	2.25%	\$1.44	\$19.44	\$0.22
8.25%	2.50%	\$1.49	\$19.49	\$0.27
8.50%	2.75%	\$1.53	\$19.53	\$0.31
8.75%	3.00%	\$1.58	\$19.58	\$0.36
9.00%	3.25%	\$1.62	\$19.62	\$0.40
9.25%	3.50%	\$1.67	\$19.67	\$0.45

The table below is based on the Illinois Department of Revenues Report of Sales Tax Receipts for the 2002 liability period (collected in 2003) for "total tax receipts," and calculated assumptions about the portion of tax paid by Galena residents versus that paid by visitors to Galena (assumptions and calculations are shown in Appendix G on p. 41):

GALENA RATE (above the 5.75%)	Sales Tax Revenue Collected*	Estimated Portion of Sales Tax Paid by Galena Residents (56%)	Estimated Portion of Sales Tax Paid by Visitors to Galena (44%)
1.00%	\$483,130	\$270,553	\$212,577
1.25%	\$640,163	\$358,491	\$281,672
1.50%	\$797,195	\$446,429	\$350,766
1.75%	\$954,228	\$534,368	\$419,860
2.00%	\$1,111,260	\$622,306	\$488,954
2.25%	\$1,268,293	\$710,244	\$558,049
2.50%	\$1,425,325	\$798,182	\$627,143
2.75%	\$1,582,358	\$886,120	\$696,238
3.00%	\$1,739,390	\$974,058	\$765,332
3.25%	\$1,896,423	\$1,061,997	\$834,426
3.50%	\$2,053,455	\$1,149,935	\$903,520

*These figures do not include the 1% collected on food, drugs and medical appliances, nor do they include the \$145,000 dedicated annually to the TIF district.

The table below shows sales tax rates imposed in various communities that may be of interest:

Municipality	Total Sales Tax Rate
Galena	6.75%
Dubuque	7.00%
Platteville	5.50%
Wisconsin Dells	6.00%
Chicago (Cook Co.)	8.75%
Chicago (DuPage Co.)	7.50%

Hotel Operators' Occupation Tax

The State of Illinois imposes a tax on persons engaged in the business of renting, leasing or letting rooms in a hotel at a rate of 6% of 94% (5.64%) of the gross rental receipts. State statute (55 ILCS 5/5-1030) provides that "The corporate authorities of any county may by ordinance impose a tax upon all persons engaged in such county in the business of renting, leasing or letting rooms in a hotel which is not located within a city, village, or incorporated town that imposes a tax under Section 8-3-14 of the Illinois Municipal Code, as defined in the "Hotel Operators' Occupation Tax Act," at a rate not to exceed 5% of the gross rental receipts..." Jo Daviess County imposes the full 5% rate allowed (so a person renting a \$100 room pays 10.64% tax for a total of \$110.64). The statute also states that "the amounts collected by any county pursuant to this Section shall be expended to promote tourism; conventions; expositions; theatrical, sports and cultural activities within that county or otherwise to attract nonresident overnight visitors to the county. Jo Daviess County began collecting the tax in 1983. The Galena/Jo Daviess County Convention & Visitors Bureau (CVB) pays the County 10% of the funds collected for accounting and administration. The remaining 90% is used by the CVB for advertising, staffing, supplies, etc.

The table below shows the history of tax revenues collected in the county as a whole, and a current estimate of the portion collected from hotels within the Galena corporate limits (exact figures are not available, and the number of rooms in Galena - and therefore the percentage collected in Galena - has changed over the years, making accurate estimates for previous years difficult). It can be assumed that 100% of the hotel motel tax is paid by visitors.

Fiscal Year (Dec. 1-Nov. 30)	Tax Rate	County Tax Collected	Estimated portion of tax collected from Galena
1984	1%	\$45,869	
1985	3%	\$140,095	
1986	3%	\$207,908	
1987	3%	\$229,192	
1988	3%	\$291,902	
1989	3%	\$330,096	
1990	3%	\$340,900	
1991	3%	\$427,061	
1992	3%	\$400,262	
1993	3%	\$508,040	
1994	3%	\$553,532	
1995	3%	\$542,352	
1996	3%	\$589,216	
1997	3%	\$612,361	
1998	3%	\$709,697	
1999	3%	\$648,729	
2000	3%	\$769,782	
2001	3%	\$712,158	
2002	5%	\$1,333,094	
2003	5%	\$1,122,874*	34% = \$381,777**

*The County switched to an accrual accounting system this year, therefore there is an extra month in this year's accounting, and all receipts for the year are not yet in. This figure represents receipts as of January 12, 2004.

**This figure represents the receipts collected from 39 properties in Galena (see list of properties in Appendix H on p. 43) as of January 12th and the percentage this amount represents of total receipts collected at that time.

The statute also states that “Any county may agree with any unit of local government...to impose and collect for a period not to exceed 40 years, any portion or all of the tax authorized pursuant to this Section and to transmit such tax so collected to such unit of local government...The amount so paid shall be expended by any such unit of local government or authority for the purposes for which such tax is authorized. Any such agreement must be authorized by resolution or ordinance...” A history of the CVB’s development and early history is provided in Attachment B. It appears that there is some history of the CVB allotting funds to Galena.

According to statute (65 ILCS 5/8-3-14), municipalities can “impose a tax upon all persons engaged in such municipality in the business of renting, leasing or letting rooms in a hotel, as defined in “The Hotel Operators’ Occupation Tax Act,” at a rate not to exceed 5% of the gross rental receipts...The amounts collected by any municipality pursuant to this Section shall be expended by the municipality solely to promote tourism and conventions within that municipality or otherwise to attract nonresident overnight visitors to the municipality.” If Galena has a hotel motel tax (at any rate), the county cannot collect hotel motel tax from businesses within the corporate limits.

Galena appears to have four options relating to the local collection of hotel motel tax:

1. The current situation could be maintained.
2. Without becoming home rule, Galena could impose a hotel motel tax up to 5% and collect the revenue generated by lodging businesses within the corporate limits. This money would have to be used to promote overnight tourism.
3. If Galena became home rule, it could pass an ordinance to collect hotel motel tax with no limit to the tax rate, and the money collected could be used for any public purpose.
4. The County and Galena could enter into an agreement whereby some portion or all of the hotel motel tax collected in Galena would be transmitted to Galena. It is unclear as to whether this money would have to be used exclusively to promote overnight visitor tourism whether or not Galena is home rule, because of the County’s requirement; or if, Galena, with home rule, could use the money for any public purpose.

Because the state does not collect the county and municipal portions of the hotel motel tax, they do not keep official records of the local hotel motel tax collected in the state. The following table provides a sampling of Illinois home rule communities that impose a hotel motel tax:

Municipality	Municipal Hotel Operators’ Occupancy Tax Rate
Alton	7%
Crystal Lake	2.5%
Freeport	3%
Mt. Vernon	\$1.00 per night per room
Nauvoo	2%
Normal	6%
Rosemont	7%
Springfield	4%

Sources: John Mazor, Executive Director, Galena/Jo Daviess County Convention & Visitors Bureau (815)777-3557

Jan Kimerling, State of Illinois Bureau of Tourism, (217) 785-6399

Real Estate Transfer Tax

According to state statutes (35 ILCS 200/31-1 to 31-70), the state, counties and home rule communities may impose a real estate transfer tax. The tax is imposed on the privilege of transferring a title to real estate or a beneficial interest in a land trust in Illinois. If the property transferred remains subject to an existing mortgage, only the owner's equity (not the amount of the mortgage outstanding) is included in the base for computing the tax. The recorder of deeds or registrar of titles in each county collects the tax through the sale of revenue stamps. The stamps are purchased from the Department of Revenue. The same stamp may also provide evidence of the payment of a county real estate transfer tax. The state rate is 50 cents for each \$500 of value. Counties may impose a tax of 25 cents per \$500 of value on real estate transactions. Home rule municipalities may also impose an additional real estate transfer tax.

A title insurance company's listing of 76 Chicago metropolitan area communities with real estate transfer taxes shows rates imposed ranging from \$0.50 to \$10.00 per \$1,000 of property transferred (See listing in Appendix I, pp. 44-53). Some communities charge flat per transaction fees ranging from \$25 to \$50. A majority of the communities (47) charge the tax to the seller, while 15 charge the buyer, 9 charge either party but the seller is customary, and 3 split the tax evenly between the buyer and the seller. A state law was passed that required local voter approval in a referendum before any new real estate transfer tax could be imposed by a home rule community.

Jo Daviess County Assessor Nancy Miller was able to determine the value of property transfers within Galena's corporate limits. The estimated total for 2003, which was an aggressive year for property transfers, is about \$12 million. The State (\$0.50) and county (\$1.00) currently impose a transfer tax on each \$1,000 of real estate transferred. The table below indicates the revenues that Galena would collect on \$12 million of transfers if it used home-rule powers to impose a real estate transfer tax at various rates:

Tax Amount Paid Per \$1,000 Property	Galena Revenue
\$0.50	\$6,000
\$1.00	\$12,000
\$1.50	\$18,000
\$2.00	\$24,000

Food & Beverage Tax

Home rule units can impose a tax (above and beyond the sales tax) specifically on food and beverages sold in restaurants. If the restaurant can separate the carry-out sales from the sales to individuals sitting down to eat, then they do not have to charge food & beverage tax on the carry-out sales.

The Village of Lombard had home rule, but voted it out. They have recently imposed a tax on eating establishments based upon state statute authorizing municipalities to "license, tax, and regulate all places for eating or amusement" (65 ILCS 5/11-42-5). This Lombard tax has not been questioned, and suggests that communities can impose a food & beverage tax whether they are home rule or not (Materials on Lombard's tax can be found in Attachment C

There is no statutory limit on the food & beverage tax rates that Galena could impose, whether it is home rule or not.

The table below is based on the Illinois Department of Revenues Report of Sales Tax Receipts for the 2002 liability period (collected in 2003) for "Drinking and Eating Places," and calculated assumptions about the portion of tax paid by Galena residents versus that paid by visitors to Galena (assumptions and calculations are shown in Appendix G on p. 42):

Food & Beverage Tax	Tax Total Collected by the City	Estimated Portion of Tax Paid by Galena Residents (31%)	Estimated Portion of Tax Paid by Visitors to Galena (69%)
0.25%	\$34,248	\$10,617	\$23,631
0.50%	\$68,496	\$21,234	\$47,262
0.75%	\$102,744	\$31,851	\$70,893
1.00%	\$136,992	\$42,468	\$94,524
1.25%	\$171,240	\$53,084	\$118,156
1.50%	\$205,488	\$63,701	\$141,787
1.75%	\$239,737	\$74,318	\$165,419
2.00%	\$273,985	\$84,935	\$189,050

The following are some of the home rule communities that have a food and beverage tax: Champaign, Urbana, and South Holland.

Property Tax

The property tax is a local tax, imposed by local government taxing districts which include counties, townships, municipalities, school districts, special districts, etc. Property tax is administered by local officials. In Illinois, the property tax is imposed on the value of real property (typically land, buildings, and permanent fixtures) owned. Illinois does not have a state property tax.

The property tax cycle extends over a two year period. During the first year, the property is assessed and the assessment reflects the property value as of January 1 of that year. During the second year, the actual tax bills for the prior assessment year are calculated and payments collected from property owners (e.g., the tax for the 2002 assessment is paid in 2003) the steps in the property tax cycle are as follows:

- **Assessment** - Local assessing officials establish a value (assessment) for each parcel of property.
- **Review** - Property owners and local taxing districts have an opportunity to appeal assessments.
- **Equalization** - Chief County Assessment Officers and Boards of Review equalize assessments within the county and then the state equalization factor (multiplier) determined by the Department of Revenue is applied to assure that the median level of assessments in all counties is 33 1/3 percent.
- **Levy** - Taxing districts determine the amount in property taxes needed.
- **Extension** - County clerk apportions the levy among the properties in a taxing district according to their assessed values.
- **Collection and distribution equalized** - Taxpayers pay their bills and payments are allocated to the local government taxing districts.

Jo Daviess County passed PTELL, or "tax caps" in November, 1997. PTELL limits increases in property tax extensions of taxing districts to the rate of inflation or 5%, whichever is less. Taxing districts are allowed additional increases for new construction, annexations to the district, voter-approved increases in the limit itself, voter-approved increases in tax rates and voter-approved new rates, and the Tax Increment Financing (TIF) increment when the TIF district expires.

Home rule units are not subject to the Property Tax Extension Limitation Law (PTELL), even if their county voted for it. Taxes may be levied at rates that exceed those set forth by statutes. In cases where statute requires a referendum to establish a new tax, home rule municipalities may forego the referendum. Property taxes can be said to be paid entirely by residents (though a significant percentage may be paid by non-resident commercial property owners and second home owners).

The table below shows the history of the City of Galena's tax extensions and levy rates, as well as the total levy rate (including all taxing bodies) paid by Galena property owners:

FY (May 1-April 30) tax was collected	Property Tax Extension	City's Levy Rate Portion	Total Levy Rate in West Galena Township Areas of Galena	Total Levy Rate in East Galena Township Areas of Galena
1988	\$451,027	2.2886	7.8505	8.0612
1989	\$509,780	2.5129	8.2108	8.2896
1990	\$585,940	2.7308	8.0708	8.0194
1991	\$616,746	2.4566	7.8348	7.8411
1992	\$618,027	2.4232	7.9343	7.9204
1993	\$682,207	2.4505	8.8949	8.9064
1994	\$655,488	2.2646	8.6369	8.6978
1995	\$719,361	2.3705	8.7099	8.7773
1996	\$719,626	2.1729	8.0936	8.2015
1997	\$782,904	2.0289	7.7237	7.7714
1998	\$801,666	1.8776	7.6970	7.6320
1999	\$811,012	1.7384	7.4365	7.4061
2000	\$822,879	1.7636	7.5118	7.4810
2001	\$822,439	1.6366	7.4274	7.4170
2002	\$843,539	1.5478	7.4145	7.3844
2003	\$848,002	1.52864	7.44317	7.4156
2004 (estimated)	\$882,767	1.55450		

Levy rates of other communities in Jo Daviess County, and random home rule communities:

Community	Municipal Levy Rate for funds collected in 2003
Apple River	0.88406
East Dubuque	1.39303
Elizabeth	0.34822
Galena	1.52864
Hanover	1.49106
Menominee	0.00000
Nora	0.52519
Scales Mound	0.54584
Stockton	0.83174
Warren	0.81381
Downers Grove (home rule)	0.58540
Freeport (home rule)	0.00920
Normal (home rule)	0.72820
Park City (home rule)	0.11600
Robbins (home rule)	2.68000
Rosemont (home rule)	1.70000 (used for G.O. bonds only)
Springfield (home rule)	1.00000 (capped by ordinance see Attachment

Gasoline Tax

The Federal Tax of 18.4 cents per gallon is collected in all states in addition to any state or local taxes on gasoline sales. The State of Illinois charges a 19 cents per gallon tax on gasoline (21.5 cents per gallon on diesel fuel) in addition to the 6.25% sales tax which is converted annually to a price per gallon rate on the basis of the average price per gallon statewide. Beginning January 1st, 2004, this rate is 7.9 cents per gallon for gasoline. The Illinois Department of Revenue collects this gasoline tax. A portion of the 19 cents is distributed by the Illinois Department of Transportation back to communities using a formula based on population and number of miles of road.

Gasoline tax must be charged at a per gallon rate rather than as a percentage of the sale amount. Freeport has a 2 cents/gallon gasoline tax. Evanston has a gasoline tax.

Amusement Tax

State statute authorizes municipalities to "license, tax, and regulate all places for eating or amusement" (65 ILCS 5/11-42-5), therefore the amusement tax is probably not limited to home rule communities. Villa Park and Cicero have an amusement tax. Stickney has an admission tax on Hawthorne Race Track.

Use Tax

Home rule communities can place a tax on the purchase of new or used cars, boats or other vehicles. State statute (65 ILCS 5/8-11-6) reads that "In home rule municipalities with less than 2,000,000 inhabitants, the tax shall be collected by the municipality imposing the tax from persons whose Illinois address for titling or registration purposes is given as being in such municipality." Springfield has a 1% use tax. Dealers send the tax collected to the City. Residents who make taxable purchases outside of Springfield are sent individual tax bills by the City.

Cigarette Tax

According to State Statute (65 ILCS 5/8-11-6a), the cigarette tax has been preempted and can no longer be imposed by home rule communities. Those communities that already had cigarette taxes in place are grandfathered in (e.g. Rosemont sells stickers (5 cents each) to retailers to affix to each cigarette package).

SAMPLE HOME RULE COMMUNITIES

Committee members contacted home-rule communities to learn more about how home rule is being used. The committee member who contacted the community is listed so that any follow-up questions the council members may have can be directed to the appropriate member.

Village of Barrington Hills (Kathie Farlow)

Robert Kosin, Dir. of Admin. Barrington Hills

1. Barrington Hills has a population of 3930 residents and became a home rule municipality by referendum with a vote of about 2 to 1. Barrington Hills lies within the boundaries of 4 counties so they decided to apply for home rule to standardize the regulations for septic systems
2. Naturally Barrington Hills is not a tourist city as is Galena and they don't face the same issues we do, but according to Mr. Rosin it has never been a problem since they became home rule. He feels the fear of the people is not so much home rule but how the authority now given to city officials will be used.
3. Mr. Rosin felt one of the benefits to home rule was intergovernmental cooperation. This came up with several of the cities I spoke to. He also said that in certain instances the state of Illinois can pre-empt certain home rule rulings

Village of Carlock (Joel Holland)

Notes from phone call with Joanne Kyrouac, Trustee of the Village of Carlock, IL.

Carlock is a town of 456 people located between Bloomington and Peoria. They passed Home Rule in August of 2003. Their goal was to generate additional tax revenue without putting the burden entirely on the local citizens. The process they used was:

1. They sent out a survey to all of the residents that indicated they would have a budget shortfall and would probably need to raise taxes. They asked the citizens which taxes out of sales tax, user fees or property taxes they would prefer to have increased. The response was overwhelming support for an increase in sales tax.
2. They held a town meeting and discussed the pros and cons of home rule.

The town has three primary businesses that generate the majority of the sales tax: a restaurant, auto dealer and gas station. Immediately after passing home rule, they raised the sales tax by 0.50%. They anticipate this will generate 17-18K in additional tax revenue. Please see the letter from Village Trustee Joanne Kyrouac in Attachment E.

Village of Channahon (Joe Nack)

I spoke with Lisa Armour, the City Administrator of Channahon, she indicated that the reason for Home Rule passing in their community was the possibility of a hydro electric plant being owned by the city that would produce electricity that would be a revenue generating agent. Based on that sole issue, Home Rule passed. The plant never came into existence. The municipality has imposed various taxes over the years such as a sale tax, 1%; gas tax, 1 cent; a hotel/motel tax. Population of the community is approximately 8,000. They have found Home Rule to be very beneficial with no detriments. They found it very beneficial in economic development and that they have been able to have sale tax rebates on a limited basis. The community is essentially a bedroom community. Industry in the area is a natural gas plant. A TIF district was created to support the natural gas plant.

City of Crystal Lake (Kathie Farlow)

Melanie - Crystal Lake

1. Crystal Lake became home rule by population
2. They instituted a 2-1/2% hotel-motel tax after becoming home rule

City of Freeport (Joel Holland)

Notes from phone call with Duane Price of the finance department of Freeport, IL:

Duane indicated that Home Rule has provided Freeport with other taxing opportunities without going to referendum.

Examples of taxes they have implemented:

Fast Food and Beverage Sales Tax of 2% (raises 750K annually)

.02 /gallon gasoline tax

3% Hotel/Motel tax

Borrow from banks

He believes it has allowed the city to broaden its tax base and put less emphasis on real estate taxes. He also said that there needs to be a "watchdog type" organization to keep elected officials in check to make sure they aren't abusing home rule powers. Freeport is a home rule community because it has a population of over 25,000. They are concerned about losing that status as their population has been decreasing. Their population at the last census was 26,500.

Village of Hodgkins (Tom Horman)

Telephone Interview With The Municipality Of Hodgkins

Hodgkins:

Population: 2,134

Became Home Rule in 1996

Points of interest:

- * Interview was with Sheri, deputy clerk in the City Hall and also a tax payer.
708-579-6700
- * Initial reason for Home Rule was:
 - * Vacant truck terminals on edge of town - eye sore for the community.
 - * Community wanted the terminals demolished and the land used for retail.
 - * Home Rule passed and a retail shopping mall was built on the truck terminal land.
 - * Taxes collected from the shopping mall is most positive.
 - * A movie theater was built adjacent to the mall. Home Rule placed a 25 cent tax for each ticket sold.
 - * End result: Additional taxes being collected and a visual eye sore was replaced by a good looking establishment.
- * Home Rule passed in the election by overwhelming majority of the votes:
 - * Educating the public through town meetings
 - * Door to door campaigns
 - * Promises by the city government not to raise taxes.
- * Because of the additional taxes which are being collected by Home Rule, the city has dropped a vehicle license and hopefully in the near future; fee water usage.
- * Sheri believes the city council is much better than ever before due to Home Rule. Each alderman has become more responsible and accountable for his/her actions taken with Home Rule so more thought and research is done by each.
- * Sheri wished all the committee members "good luck" and invited us to visit sometime.

City of Mount Vernon (Tom Horman)

Population: 16,269

Home Ruled In 1986

Points of Interest:

- * Spoke with two people in two conversations. 618-242-5000
Mary Ellen, Economic Development
Roy Payne, City Manager
- * Initial Reason For Home Rule:
 - * City needed revenue badly! Unemployment was high, fireman were laid off, farming was at it's lowest, and the city was in bad shape.
 - * Imposed a 1 % increase to jump start the revenue.
- * New revenue because of Home Rule:
 - * With new revenue coming in they built or improved an Industrial Park.
 - * Because of the change in the Industrial Park, Walgreens built a Distribution Center creating 900 new jobs.
 - * Kept and continue to keep away from increase in property tax.

- * City is on major intersection of travelers and is a good break for travelers. So:
 - * 15% of revenue now comes from the outside.
 - * Every major fast food restaurant has built along the new interstate which the city is now gaining revenue from (they credit the Industrial Park development for a portion of this growth).
 - * AND new hotels have sprung up creating over night stays. Home Rule imposed a \$1.00 a night per room MUNICIPAL SERVICE FEE or in other words - a tax.
 - * Home Rule passed a 2% gas tax two years ago.
- * Passing Home Rule On The Ballot
 - * Key selling point was the city officials. They educated, informed, and communicated the needs of the city to the community. A group effort by all in the city government.
 - * The city government educated the public in the same election to elect city officials who could and would carry out the tasks at a critical time in their city history.
 - * The first vote of Home Rule won a landslide victory.
- * The city is now on good financial standing and is doing great!

City of Nauvoo (Joe Nack)

I spoke with Bob Soland, Alderman. He indicated that they formed a committee of 3 citizens to sell the Home Rule to the community. These 3 citizens had public meetings, did all of the research, placed the issue on a ballot, and successfully sold Home Rule to the community. The main basis was to generate income for their police department and roads due to the increased costs based on tourism. Made a promise to the community that if Home Rule was granted, that other than the 2% increase in hotel/motel tax, which was being done, again, to raise money for the police department and the roads predominantly used for tourism, no other taxes would be imposed without referendum. This is a self-imposed limitation by the village board. The village is very conscious of keeping the community informed of how monies that are generated by the Home Rule taxes are being spent. Home Rule passed approximately 1-1/2 years ago. Population of the community is approximately 1,000.

Town of Normal (Beth Baranski)

The town of Normal, population 45,386 (per 2000 census), is, along with the city of Bloomington (population 64,808 per 2000 census), a college campus town (Illinois State University). The city became home rule automatically because of its population. The city's exercise of home-rule powers includes the following:

1. A 1.25% Retailers Occupation Tax (sales tax) on top of the 1% collected locally by all municipalities (therefore the combined rate is 5% state + .25% county + 1% city + 1.25% home-rule = 7.50%).
2. A 0.5% Use Tax placed on Bloomington-Normal residents purchasing new or used cars, boats or other vehicles. When purchases are made within the cities, the dealers collect the tax and submit to Normal on a monthly basis. If the purchase is made outside of Bloomington-Normal, the City reviews the list provided by the state, and sends a bill directly to the resident. Normal collects the tax for both itself and Bloomington, and gives Bloomington their portion.

3. A 6% Hotel Occupancy Tax. This is added to the 6% Hotel Occupancy tax collected by the state for a total 12% hotel-motel tax.
4. A 2% Food & Beverage Tax. Bloomington collects this tax for itself and Normal, and gives Normal their portion. This tax is added to the 7.5% sales tax for a total 9.5% tax on food and beverages sold in restaurants.
5. A 4% Liquor Tax on the sale of packaged liquor. This tax is added to the 7.5% sales tax for a total 11.5% tax on the sale of packaged liquor.
6. Has an intergovernmental agreement with the Illinois Department of Revenue allowing them to obtain sales tax revenue figures broken down by individual businesses.
7. Has issued bonds without needing to go to referendum. Recently (December, 2003) issued general obligation bonds to redevelop downtown area.

Source: Patty Martinez, Assistant Finance Director, Finance Department, 309/454-2444

City of Oakbrook Terrace (Marc McCoy)

Oakbrook Terrace has a population of 2,500. Home referendum failed twice before passing in 2002. Oakbrook Terrace has seven hotels. City Manager Martin Bourke explained that a principal advantage of home rule for Oakbrook Terrace was the ability to utilize hotel-motel tax funds for general operating expenses and capital improvements. Currently, State laws restrict those revenues for use only to generate additional hotel stays and promote tourism, conventions and other special events within the City. Mr. Bourke was kind enough to share information regarding Referendum, including questions and answers, copy of ordinance, copy of ordinance establishing a VOLUNTARY LIMIT ON THE ANNUAL PERCENTAGE OF INCREASE IN THE TAX LEVY TO BE EXTENDED BY THE CITY OF OAKBROOK TERRACE, copy of ordinance establishing LIMITATION ON PROPERTY TAX EXTENSION, copy of the resolution initiating a public question, copy of the resolution to endorse the adoption of home rule, and information listing the advantages of home rule. A copy of these documents is included in Attachment A.

City of Park City (Doris Glick)

Village of Park City, Illinois

Population 6,637

Home Rule 1973

Spoke with City Clerk Ruth Wilcox and Mayor Steve Pannell 847-377-2400.

The Village of Park City went Home Rule by referendum in 1973. This year 2003 the Village was able to raise the Sales Tax rate from 6.5 to 7% without a referendum, which has made it possible for the Village of Park City to have a very low tax levy of 0.116 for 2003. The Village has no Hotel/Motels so was unable to make a comparison to Galena.

Village of Peoria Heights (Marc McCoy)

Population of 6,700 and adopted home rule in 1986 with a 4 to 1 margin after the loss of Pabst Brewery in 1982. Mr. Larry Franz advised Peoria Heights has found the number one advantage to be the flexibility to be a functioning government. They have no Hotels or Motels within the City limits. Also stated the public does not have to fear that home rule will become a "free for all".

Village of Robbins (Doris Glick)

Population 6,637

Home Rule 1998

Spoke with City Clerk Palma James 708-623-5030.

Reason The Village of Robbins became Home Rule was to be able to sell energy to Con-Ed. At the present time Con-Ed is closed but has plans to reopen. Village of Robbins has a Sales Tax rate of 7.75% without a referendum and they have a much higher levy of 2.680 for 2003. The Village has not had to raise additional taxes just because they are Home Rule.

Village of Rosemont (Beth Baranski)

The Village of Rosemont, population 4,224 (per 2000 census) is located near O'Hare Airport. The city passed a referendum to become home rule in 1972. The city's exercise of home-rule powers includes the following:

1. A 1.25% Retailers Occupation Tax (sales tax) on top of the 1% collected locally by all municipalities (therefore the combined rate is 5% state +.25% county + 1.50% Cook County home-rule+ 1% city +1.25% home-rule = 9.00%).
2. A 7% Hotel Occupancy Tax. This is added to the 6% Hotel Occupancy tax collected by the state and 1% collected by Cook County for a total 14% hotel-motel tax.
3. A 0.75% Use Tax placed on Rosemont residents purchasing new or used cars, boats or other vehicles. When purchases are made in the village, the dealers collect the tax and submit to the village on a monthly basis. If the purchase is made outside of the village, the village reviews the list provided by the state, and sends a bill directly to the resident.
4. A 1% Food & Beverage Tax. This tax is added to the 9.0% sales tax for a total 10% tax on food and beverages sold in restaurants.
5. A Cigarette Tax. Those selling cigarettes must affix a sticker to each pack. They purchase stickers from the village for 5 cents each.
6. Has an intergovernmental agreement with the Illinois Department of Revenue allowing them to obtain sales tax revenue figures broken down by individual businesses.
7. Has issued bonds without needing to go to referendum. Recently (December, 2003) issued general obligation bonds to redevelop downtown area.

Source: John Hochstetler, Finance Director, 847/825-4404

City of St. Charles (Kathie Farlow)

Susan - city hall - St. Charles

1. St. Charles became home rule in 1994 when there population reached 25,000
2. Susan was not very specific but did say home rule status allowed more flexibility in running the city
3. St. Charles instituted a 1/4% increase in the sales tax when they became a home rule municipality.
4. She did not feel there has ever been a problem regarding St. Charles home rule status

City of Springfield (Beth Baranski)

The City of Springfield, population 111,454 (per 2000 census) is the state capital and a tourist destination. The city became home rule automatically because of its population. The city's exercise of home-rule powers includes the following:

1. A 1% Retailers Occupation Tax (sales tax) on top of the 1% collected locally by all municipalities (therefore the combined rate is 5% state +.25% county + 1% city +1% home-rule = 7.25%).
2. A 1% Use Tax placed on Springfield residents purchasing new or used cars, boats or other vehicles. When purchases are made in the city, the dealers collect the tax and submit to the city on a monthly basis. If the purchase is made outside of the City, the City reviews the list provided by the state, and sends a bill directly to the resident.
3. A 4% Hotel Occupancy Tax. This is added to the 6% Hotel Occupancy tax collected by the state for a total 10% hotel-motel tax.

Source: Dallas Whitford, Tax Manager, Office of Budget and Management, Municipal Center, 217/789-2000



HOME RULE *QUESTIONS & ANSWERS*

WHAT IS “HOME RULE”?

Under the 1970 Illinois Constitution, Home Rule shifts decision making from the state level (Springfield) to the local level (Lake Forest) enabling communities to find local solutions to local problems.

Home Rule communities are granted a broad range of powers for the local good unless exempted by the State. Often a Home Rule community is exempted from meeting requirements mandated by state legislation.

HOW DOES A COMMUNITY BECOME HOME RULE?

Municipalities with populations over 25,000 are automatically granted Home Rule status, while smaller communities can put the question on a ballot and let voters decide. The majority (over 70%) of Illinois’ 12.5 million citizens live in Home Rule communities. Among Illinois communities having Home Rule, 55% attained Home Rule status by voter approval of a Home Rule referendum, such as the one on the November 2, 2004 ballot. No community has petitioned to revoke Home Rule status in the past 20 years.

WHAT NEARBY COMMUNITIES ARE HOME RULE?

Deerfield	Gurnee	Mettawa	Skokie
Evanston	Highland Park	Mundelein	Waukegan
Glenview	Lincolnshire	Northbrook	Wilmette

Currently, several other North Shore communities like Lake Forest are considering voter approval of Home Rule status.

WHY IS LAKE FOREST CONSIDERING HOME RULE?

If approved by the voters, Home Rule will provide the City with additional flexibility and local control for maintaining the character of our community. It would enhance the City’s ability to preserve the integrity of its zoning ordinances, to operate in a more cost-effective manner, and to have a more diversified and flexible revenue base that could reduce dependency on property taxes.

WHAT ARE THE BENEFITS OF HOME RULE?

The adoption of Home Rule would provide Lake Forest greater protection from state mandates and the ability to solve problems at a local level. Specifically, major benefits frequently associated with Home Rule are threefold:

Maintaining Community Character

Home Rule would mean that the State of Illinois cannot intercede as a super zoning authority. The City would retain local control over zoning issues instead of allowing petitioners to go to the State for final decisions on such things as affordable housing, day care, etc. Petitions would come directly to the City and go through the local public hearing process for a decision. This local process gives residents the opportunity

to review petitions that directly impact their property. Lake Forest would have direct control over important issues that impact property values and community character.

Increased Financial Flexibility

Lake Forest's long-term financial stability is being impacted by decreasing revenues (tax cap limitation and a reduction in state revenues, development fees and sales taxes) coupled with increasing expenses (higher insurance, pension and health care costs, aging infrastructure, and additional state mandates). Home Rule is not only a flexible tool that endorses local decision making; it enables sound long-term fiscal planning.

Home Rule would provide Lake Forest with the flexibility to explore new funding sources, such as a licensing fee for service businesses (banks, landscapers, etc.), restaurant tax, real estate transfer tax, etc. Home Rule status would also allow the City to use the existing Hotel Tax revenue for infrastructure (streets, sewers, etc.) instead of limiting its use solely to tourism. Home Rule communities have more flexibility in regard to debt offerings often resulting in lower interest rates and a strengthened bond rating.

Reduced Regulation from State Mandates

Home Rule can afford Lake Forest greater protection against state control, such as the recently enacted Affordable Housing Act. Under that Act, Lake Forest could be required to increase its overall percentage of affordable housing to 10%, or approximately 330 new units. If Lake Forest were Home Rule, it could still support this important initiative but at a level that more appropriately addresses our community's needs. State legislatures often impose unfunded mandates on local governments to provide certain services that fail to provide a revenue source to offset the cost of those services.

WHAT ARE THE POTENTIAL DISADVANTAGES OF HOME RULE?

Home Rule gives local government greater discretion to generate revenues through issuing bonds and increased taxes -- i.e., property and sales tax increases, restaurant tax, real estate transfer tax, etc.

Home Rule permits greater local control over decision making without state oversight and without certain procedural limitations.

WILL PROPERTY TAXES INCREASE UNDER HOME RULE?

Based on the research of Professor James Banovetz, widely regarded as the foremost expert on Home Rule in Illinois, there is no evidence that Home Rule municipalities have higher or faster growing property taxes than comparable non-Home Rule municipalities. In fact, Home Rule status is often used to shift the tax burden from property taxes to other revenue sources, such as licensing fees, restaurant tax, real estate transfer tax, etc. This would diversify the revenue base and reduce the burden on property owners. Indeed, communities that have adopted Home Rule status have seen their property taxes increase at a lower rate than non-Home Rule communities.

The City Council has recognized the concern of residents about increased taxing authority. In early August 2004, the City Council adopted an ordinance to continue to adhere to the property tax limitations commonly referred to as the "property tax cap." The only exceptions to this limitation would be if an emergency or legal requirement dictates an increase or if the residents approved a referendum for an increase beyond that called for under tax cap legislation. Additionally, under a proposal before the City Council, if Home Rule authority is approved by the voters, any increase in tax rates would require two public meetings and a super-majority (two-thirds) vote of the City Council.

IF THE HOME RULE REFERENDUM IS APPROVED, DOES THAT MEAN THAT THE CITY WILL ADOPT A REAL ESTATE TRANSFER TAX?

The real estate transfer tax is one alternative revenue source that could be considered by The City of Lake Forest if the voters approve the Home Rule referendum. Before the City could enact a real estate transfer tax, however, voters would have to approve it on a separate referendum in the future.

HOW DOES HOME RULE AFFECT SCHOOL DISTRICT FUNDING?

Home Rule has no effect on School Districts 115 or 67 as they are independent governmental and funding bodies.

HOW DO RESIDENTS CONTROL THE USE OF HOME RULE?

Voters can petition to revoke a community's Home Rule status. (In Illinois, this has not occurred in the past 20 years.)

Another safeguard for taxation and spending restraint is resident participation in City government and local elections. One-half of the City's aldermen are up for election each year, the Mayor every two years. Lake Forest has a long-standing tradition of residents staying informed on local issues and communicating with local officials. If residents view the City Council as not fiscally prudent, residents can vote to change Council membership and leadership.

Finally, the Aldermen and Mayor are also residents. They would be personally impacted by any Council action.

IF THE HOME RULE REFERENDUM FAILS, HOW WILL IT AFFECT LAKE FOREST RESIDENTS?

Lake Forest will be required to comply with all State mandates, including those that are not funded; some current mandates could impact community character, long-term finances and property values.

Without the financial flexibility Home Rule provides, the City Council will continue to look for ways to contain costs to maintain a balanced budget and fund necessary capital expenditures. This would likely include reductions in personnel and equipment purchases; postponement/elimination of needed capital improvements (repairs to streets, sewers, parks, etc.); and/or modifications to user fees to fund service delivery costs (garbage collection, etc.).

In all likelihood, additional borrowing for infrastructure improvements would be required. The issuance of additional bonds would result in higher property taxes.

IF THE HOME RULE REFERENDUM IS APPROVED, HOW WILL IT AFFECT LAKE FOREST RESIDENTS?

Lake Forest will not be required to comply with all State mandates (whether funded or not) but will have the ability to evaluate certain State requirements and decide what is appropriate for Lake Forest.

The City Council will have the flexibility to explore a variety of alternative revenue sources to balance future budgets and fund needed infrastructure improvements.