



VARIATIONS IN EXPENDITURE LEVELS BY ILLINOIS LOCAL GOVERNMENTS, 1942-72

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As they become increasingly apparent, differences among local governments in levels of expenditure are beginning to be a prominent policy concern. To the extent that expenditures reflect policy commitments and/or service levels, variations among them also reflect unequal levels of policy benefits. To local officials interested in raising levels of service in their communities, the existence of these differences often serves as an arguing point in efforts to obtain more state aid and to persuade the state to take action to reduce differences in levels of expenditures among localities. Many state officials are beginning to adopt the view that state government should ensure some minimally acceptable level of government services in each of its localities. However, the issue of equalization remains controversial. In addition to the conflict which usually revolves around questions of equity and unequal distribution of state funds, this issue also involves the right of local officials to autonomously formulate and implement policy independent of state action.

In light of the implications of these expenditure differences, this study examines the extent of diversity in expenditures for various policy areas for all Illinois counties and for Illinois municipalities above 10,000 in population for the period 1957-72. The extent of diversity of expenditures for a set of municipalities above 25,000 population is then examined for the period 1942-72. The focus throughout is upon whether there has been any change in the extent of inequality over the respective time periods. A limited examination of why some policy areas evince more diversity than others is also undertaken.

The Issue

The issue of inequality in expenditure levels has been a subject of continual debate in state and local politics, particularly in such areas as education and public welfare. Those who argue for the maintenance of inequality usually defend the right of different communities to establish different benefit levels. These differences may be in response to unique needs of a community, or may reflect some communities' desires to devote more resources to one area — education for example — than to other areas. Proponents of equalization, on the other hand, argue that differences in service levels not only tie resi-

dents to their neighbors' policy preferences, but also perpetuate inequality of opportunity in society. In the case of the poor, differences in service or benefit levels which stem from the average wealth of the community are even more restrictive, because poorer individuals lack the resources to move to communities with higher service levels. For example, in regard to police services there has been a significant difference in per capita expenditures between cities like East St. Louis and Highland Park, and this difference has persisted over time. In 1957 the per capita expenditures in this area by East St. Louis and Highland Park, respectively, were \$6.78 and \$9.97. In 1972 the respective per capita expenditures were \$22.57 and \$29.04. These differences become even more striking when the expenditure levels are compared to crime rates. In 1972 the number of serious crimes per 100,000 people in East St. Louis was 9,401, while that in Highland Park was only 2,089. This illustrates that very often differences in levels of service are due not to variations in local needs or conditions, but to variations in local wealth. It is differences like these which are at the base of the equity debate.

This debate has led to increasing awareness of the differences in expenditure levels among cities. The equity debate has also prompted some action by the federal government in such areas as welfare payments to the states and by state governments in such areas as education aid to localities. The attempt has been to equalize expenditure and service levels of local governments. The federal government and the states have also sought to encourage common minimum standards for the performance of such local services as sanitation and sewerage.

At the local level, the equity debate has been accompanied by some poorer governments seeking additional funds to improve their service levels relative to other localities. In Illinois this general issue of equalization has been most prominent in the area of education, where many attempts have been made to distribute state funds in a way which will result in equalization of expenditure levels. In general, the efforts of the federal government and the states in the area of equalization have usually been more indirect, involving the encouragement and occasionally the mandating of common minimum service levels for local governments.

The concern in this analysis, however, is not a comprehensive or historical review of what efforts toward equalization have been made by various levels of government. Rather, what is examined is whether the sum total of ac-

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Table 1
COEFFICIENT OF VARIATION IN PER CAPITA
EXPENDITURE LEVELS, ILLINOIS MUNICIPALITIES
AND COUNTIES, 1957-72

Category of Expenditure	1957	1962	1967	1972
Municipalities				
Sanitation	84	.77	.75	77
Fire	42	64	62	56
Libraries	*	1.08	82	1.14
Police	.41	41	.55	37
Health	1.54 (117)	*	1.83 (114)	1.69 (114)
Counties				
Public Welfare	1.21	1.58	1.51	1.57
Hospitals	2.55 (97)	3.75 (102)	4.16 (101)	5.03 (101)

*Data not available

NOTE. The number of cities or counties actually included in the calculations for each year is indicated in parentheses. In some years the number of cases is less than the potential, since some units did not report data.

tivities by various levels of government has resulted in any move toward equalization among Illinois local governments. No exploration of factors which affect the extent of diversity will be made. Instead, the initial focus is the extent of diversity and changes in diversity from 1957-72.¹ This period is particularly interesting because between these years state and federal intervention in local affairs increased considerably. An examination of the period 1947-72 will also be made.

Expenditures by Municipalities and Counties

1957 TO 1972

As noted above, the indicator used in this analysis is per capita expenditures in various functional areas by Illinois counties and municipalities, the two major types of local general governments in Illinois. The figures used here

¹ Data are reported in this way because they come from the Census of Governments, which is published twice each decade.

ILLINOIS GOVERNMENT RESEARCH

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represent only expenditures by the individual unit of government; not included are all expenditures within the geographical area encompassed by the municipality or county by other governments such as special districts and school districts. The percentage of the municipal or county budget spent on each function was also analyzed for the same periods of time, but since the results of that analysis were virtually identical to the results obtained using the per capita figure, the percentage analysis is not reported. The data were taken from the Census of Governments for 1957, 1962, 1967, and 1972. All municipalities with populations of 10,000 or more for each of those years were included in the analysis. All counties were also included.

The general concern here is whether inequality, or diversity, has declined over time. To examine this, it is first necessary to obtain an indication of variation, or difference, among all comparable units for any given year. For example, how much variation was there for all cities in 1957? The next — and most important — concern is how this variation compares to variations in other years. The initial indicator of variation employed is the range in per capita expenditures for various functions. From the range, we learn the highest and lowest per capita expenditures in dollars among the units of government under consideration for the years 1957, 1962, 1967, and 1972. To avoid comparing expenditure levels in policy areas in which the responsibility for the function is divided between different local government units, only expenditures which are basically "common" to either municipalities or counties are included. This is necessary because in such areas as housing and urban renewal some municipalities expend funds through city agencies, while others set up special district housing authorities to expend funds. The result is that in these areas the cities may vary considerably in terms of their per capita expenditure levels, but the difference reflects only variations in divisions of responsibilities by governments; examining the extent of diversity of expenditures in such areas would be misleading. The areas which qualify as common local functions for Illinois municipalities are police, fire, sanitation, and libraries, with health being a somewhat less valid inclusion. For counties the only common function is that of public welfare, with hospitals a marginal case.

On the basis of the range, there does not appear to have been any general tendency toward a reduction in the diversity of local government expenditure levels across time. In all categories of expenditure examined, the difference in per capita expenditure levels increased from 1957 to 1972. In some categories — such as fire and libraries for municipalities and public welfare for counties — the increase in the spread between the highest and lowest expenditure levels was considerable. The biggest change has emerged in police expenditures by municipalities, where the difference in 1972 was four times as large as the difference in 1957.

The range is not always a good indicator of diversity, however, for it represents only the difference between the two most extreme cases involved. While the range does give some idea of variation, a more useful summary indicator is the coefficient of variation. This index is arrived at by determining the average expenditure for all cases, and then calculating how much each case differs from this average. These differences are then manipulated, summarized, and divided by the mean to give an indication of the average amount of variation for all the cases. With

Table 2

**COEFFICIENT OF VARIATION OF PER CAPITA
EXPENDITURES, ILLINOIS MUNICIPALITIES
OVER 25,000 POPULATION, 1942-72**

Category of Expenditure	1942	1947	1952	1957	1962	1967	1972
Sanitation	.67	.54	.63	.78	.60	.67	.66
Fire	.30	.23	.28	.31	.34	.46	.38
Libraries	.62	.52	.58	*	.88	.75	1.07
Police	.36	.38	.38	.39	.47	.44	.35
Health	.81 (26)	1.42 (26)	1.04 (26)	1.10 (40)	* (40)	1.54 (57)	1.57 (57)

*Data not available.

NOTE: The number of cities used in the calculations for each year is shown in parentheses. In some years the number of cases is less than the potential, since some units did not report data.

this indication the impact of inflation is taken into account and eliminated, which the range does not do. The coefficient of variation can then be compared across time to see if the average amount of variation of government per capita expenditure levels has also varied. The meaning of this indicator can be shown by an example. Assume that data exist for four cities for year one and year two. In year one, the per capita expenditure levels for four functions are 3.0, 4.0, 4.0, and 5.0. In year two, the respective expenditure levels are 3.0, 5.0, 8.0, and 11.0. In the latter year the extent of diversity is considerably greater than in the former. This difference is shown in the coefficient of variation for the two years. For year one it would be .18, for year two, .44. The coefficient of variation can have a lower bound of 0 (which would be the case if all per capita expenditure figures were the same in one year) but has no upper bound. As the value of the coefficient increases, it indicates greater diversity in per capita figures.

This index was calculated for municipalities and counties for the same expenditure areas for the years 1957, 1962, 1967, and 1972, with the results shown in Table 1. The basic question of interest here is whether there is a pattern of declining diversity over time. The results do not suggest that this trend exists. Only in the area of sanitation for municipalities is the extent of diversity in expenditures in 1972 less than in 1957, but the difference is slight. In the three areas of fire, police, and health for municipalities there was a decline in diversity from 1967 to 1972, but since this change occurred for only one interval, it would be premature to interpret it as a trend. The fact that, in all cases but one for both municipalities and counties, the extent of inequality was greater in 1972 than in 1957 indicates that during this fifteen-year period, no strong tendencies were present toward equalization of expenditure levels.

The lack of a tendency toward standardization of service levels means that there are still significant differences in benefit and service levels among Illinois communities. Although the causes of these variations have not been examined here, previous research on Illinois municipalities indicates that the differences are due primarily to variations among local governments in resource bases (including average income level and average assessed property values). To the extent that this is still the case, the inequal-

ities found here may reflect a situation such as that illustrated by the examples of East St. Louis and Highland Park. The variations in expenditure between these two cities may not be the result of levels for police services or variations in needs and social conditions, but rather of variations in local wealth. It is such situations which prompt concern for equalization.

This is not to say, of course, that no standardization of other aspects of policy has taken place within the state. In many areas — such as the enactment and enforcement of open housing laws and of air and water pollution standards — there have been considerable efforts (and some success) by state government to establish uniform policy practices by local governments. It may be, therefore, that the distribution of policy benefits within each governmental unit has become more uniform, and that some policy practices are more similar now than they were twenty years ago. That question, however, is beyond the focus of this study, where the concern is limited to the question whether, among local governments, inequality of expenditure levels (which are closely related to service levels) has declined over time. The evidence examined suggests strongly that this diversity has not declined.

FURTHER EVIDENCE 1942 TO 1972

To further check for variations in inequality over time, a similar analysis was conducted for the five-year intervals between 1942 and 1972. Included were all cities over 25,000 population; the same expenditure categories examined previously were used. These data were also taken from the Census of Governments. Because of the unavailability of county data, only municipalities were considered. The coefficient of variation was again used as an indicator of diversity, with the results shown in Table 2. The concern here is again whether there has been a decline over time in the extent of inequality of expenditure levels among cities. This would be shown by a decline in the value of the coefficient of variation over time. The results do not suggest a decline in the extent of diversity of expenditure levels among municipalities.

Making an overall assessment among the different categories of expenditure is difficult, but it appears that the extent of diversity has either stayed roughly the same or has increased somewhat. These results coincide with those presented earlier in suggesting that there has been no reduction in the inequality of expenditure levels among Illinois local governments.

Differences across Expenditure Areas

Another pertinent point that these data suggest is the difference in the extent of variation from one policy area to another: Why are there persistent differences in the extent of inequality between functional areas of expenditure? For example, the coefficients of variation for municipalities for police and fire are much lower for all years than those for libraries and health.

Two related reasons might explain these differences. The first is whether in a given policy area there exist legal state minimums or common standards which would reduce local freedom to set levels of expenditure. While a policy area may be locally controlled and administered, the existence of such minimums would serve to reduce diversity among cities. This is very likely the reason for the low variation in expenditure levels among municipalities for police and fire protection. Throughout the time period

covered here, there have been state-mandated minimum salary ranges for both police and fire personnel. These standards have probably led to a great deal of similarity in expenditure levels in these two areas.

The second possibility is that even though a policy may be largely locally administered and locally delivered standard guidelines or norms for the policy area are encouraged at the state level. This also acts to produce great similarity among cities in their policies and subsequent expenditure patterns. This explanation seems to account for the pattern of police and fire services, for there have been strong efforts to produce common norms in these services across the state. In contrast, health and library service levels are more matters of local discretion. Given variations in tax bases and in population needs and desires, there is likely to be more diversity in expenditure levels in these areas. Together, these two explanations seem to account for the relative lack of diversity among cities' expenditures for police and fire services.

Conclusions and Possible Remedies

While there has been considerable discussion about the homogenization or standardization of policy in American society, and many have wished to reduce inequalities of policy benefits among different governments, the evidence examined for Illinois does not indicate a trend toward such equality — at least not on the basis of the indicator used here. The coefficient of variation as an indicator of per capita expenditure levels is particularly important because it deals with the average levels of benefits available for distribution by officials in each local government. The evidence suggests that the hope for greater equality cannot rely on any ongoing tendencies within the state.

What, then, are policies which might serve as remedies for the inequality among localities which now exists? There are essentially four remedies for this situation, and they are worthy of a brief review. The first two are to equalize either the service-cost conditions or the tax bases of local governments. One of these options would entail pursuing policies resulting in an equivalent quality of life in each community, with the greatest assistance provided to the neediest areas. The second would involve producing equivalent tax bases in each locality by controlling the location

of industries and businesses. Both of these are impractical, and would require more coercion than would probably be accepted in this society.

The third option would be to give localities more autonomy to extract additional revenue from their existing resource bases. This possibility is usually associated with home rule. In Illinois, with one of the strongest provisions of any state, a major goal of home rule is to reduce state control over local taxation practices. Even though a degree of independence of tax activity is possible for Illinois home rule units, such independence is an inequitable and unlikely method for correcting disparities in tax revenues among local governments. It would be inequitable because those localities with the greatest service or expenditure needs are usually those with the poorest tax bases. Although poorer localities would be free to set very high tax rates or seek new taxes, their tax bases would remain unaffected. In addition, if such high tax rates were achieved, much of the existing tax bases of these localities would probably flee, producing even greater disparities.

The final option is that of attempting to reduce disparities in expenditure by relying on state-level taxation and policies to distribute state aid. This is the intent of the Illinois school aid equalization program. This method seems the most likely means to reduce inequalities in total expenditure levels. The state has the ability to levy taxes which are not as easily avoided as are local levies, and to tap sources which are unequally distributed across municipalities. But such a policy cannot provide for total equity in specific expenditures unless the state regulates all of the functional activities of its subunits, and insists that rich areas place a ceiling on their spending rates. Given present conditions, the state aid mechanism can at least benefit the neediest localities and support those activities which are vital to local well-being. This method seems the most likely means to reduce inequalities in expenditure levels. The state has the ability to levy taxes which are not as easily avoided as are local levies. Also provided by this method is a central point from which to pursue a coordinated process of equalizing revenues and matching these revenues to cost and service conditions. It appears that, given present conditions, it is the latter means which would have to be used to remedy disparities in expenditure levels among localities.



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