
Special Report: Multitude of Local Authorities Soak Illinois Homeowners in Taxes.

(Reuters) – Mary Beth Jachec lives in a three-bedroom house in Wauconda, a village of 14,000 in Illinois, 45 miles northwest of Chicago. Her semi-detached brick home is unassuming. Her tax bills are not.

The 53-year-old insurance manager gets a real estate tax bill for 20 different local government authorities and a total payout of about $7,000 in 2014. They include the Village of Wauconda, the Wauconda Park District, the Township of Wauconda, the Forest Preserve, the Wauconda Area Public Library District, and the Wauconda Fire Protection District.

Then there is Wauconda Road and Bridge, not to be confused with Road and Bridge, Wauconda Gravel, or with Wauconda Special Road Improvement and Gravel unit – all three of which have imposed separate taxes on her and the village's other homeowners.

Those three road entities come under the auspices of Wauconda Township. Officials there struggled to explain exactly what they each do, and why three separate taxing bodies are needed. The Wauconda Township Highway Commissioner, Joe Munson, said: "They are all for road maintenance." So why three? "I don't know why," Munson said. "It's always been that way."

Jachec, looking at her property tax bill, is dismayed. "It's ridiculous," she said.

A lot has been said about the budget crisis faced by Illinois – the state government itself is drowning in $37 billion of debt, and has the lowest credit ratings and worst-funded pension system among the 50 U.S. states. But at street level, the picture can be even more troubling.

The average homeowner pays taxes to six layers of government, and in Wauconda and many other places a lot more. In Ingleside, 55 miles north of Chicago, Dan Koivisto pays taxes to 18 local bodies. "I pay $271 a month just to the school district alone," he said. "And I don't have children."

DUPLICATION OF SERVICES

The state is home to nearly 8,500 local government units, with 6,026 empowered to raise taxes, by far the highest number in the U.S. Texas – whose population is more than twice that of Illinois – is second highest with about 5,150 local government units. Florida, with a population 54 percent greater than Illinois, has just 1,650, according to the U.S. Census Bureau.

Many of these taxing authorities, which mostly rely on property tax for their financing, have their own budget problems. That includes badly underfunded pension funds, mainly for cops and firefighters.

The Illinois authorities range from those typical across the nation, such as school and fire districts, to the unusual: for example, districts that raise taxes solely for the purpose of killing mosquitoes, lighting streets or maintaining cemeteries.

A Reuters analysis of property tax data shows that the sheer number of local government entities, and a lack of oversight of their operations, can lead to inefficient spending of taxpayer money, whether through duplication of services or high overhead costs. It leads to a proliferation of pension funds serving different groups of employees. And there are also signs that nepotism is rife within some of the authorities.

There is no central repository of data on the size and geographical boundaries of the local government authorities. The state comptroller does not audit the annual financial reports the local governments submit to it, said Rich Carter, a spokesman for the Comptroller's office.

The state's revenue department does keep data on property taxes collected by counties, but does not track taxes on individual properties. This makes it virtually impossible to systematically determine how many taxing districts overlap on parcels of land, or how much tax residents in a particular area pay unless they are individually surveyed. Because of these gaps and omissions, it is difficult to assess whether multiple layers of government lead to higher taxes.

On average, Illinois' effective property taxes are the third highest in the U.S. at 1.92 percent of residential property values, only behind New Jersey and New Hampshire, according to the non-partisan Tax Foundation. (New Hampshire, unlike Illinois and New Jersey, doesn't have a state income tax or a state sales tax.)

Critics of both the high taxation and the state's governance structure say that it takes too much of a toll on homeowners, discouraging people from either coming to the state or staying in it. Illinois saw net migration of 95,000 people out of the state last year, the greatest in its history and second only to New York, according to U.S. Census data. It is unclear how much, if any, of that exodus might be due to high taxes.

In many Illinois cities and towns, high taxation still isn't enough to keep up with increasing outlays, especially soaring pension costs, and some services have been cut. For example, in the state capital Springfield, pension costs for police and fire alone will this year consume nearly 90 percent of property tax revenues, according to the city's budget director, Bill McCarty. Since 2008, Springfield has cut 11 percent of its police force, closed three libraries, and tapped into other funds to pay pensions, McCarty added.

Sam Yingling, a state representative who until 2012 was supervisor of Avon Township, north of Chicago, has become an outspoken critic of the multiple layers of local government.

Yingling said when he left the township three years ago, the township supervisor's office had annual overheads from salaries and benefits of $120,000. He claimed its sole mandated statutory duty was to administer just $10,000 of living assistance to poor residents. Lisa Rusch, the current Avon Township supervisor, disputed the welfare figure, saying her office provides between $50,000 to $70,000 in emergency and general assistance.

Yingling also criticizes the township for its road program. In its budget for the current fiscal year, more than $1.4 million has been appropriated for road and bridge maintenance. Bob Kula, Avon Township's highway commissioner, says the township maintains just under 13 miles of roads.

BORROWING RESTRICTIONS

The large number of local governments is a legacy of Illinois' 1870 constitution, which was in effect until 1970. The constitution limited the amount that counties and cities could borrow, an effort to control spending.

So when a new road or library needed building, a new authority of government would be created to get around the borrowing restrictions and to raise more money. Today, for example, there are over 800 drainage districts, most of which levy taxes.

A succession of Illinois governors over 20 years has called for a reduction of the number of government units, but made little progress, partly because of Byzantine regulations. To dissolve one of Illinois' 1,432 townships, for example, state law stipulates that three-quarters of voters in every township in that county must vote to approve.

When that state's newly elected Republican Governor Bruce Rauner established a commission to address the problem of local government, the group quickly discovered that the taxing units continue to proliferate. The net number of local government units increased by 148 between 1998 and 2015, the governor's office reported last month.

"You could probably get by with half as many," said Bill Brandt, the recently retired chair of the Illinois Finance Authority, which funds economic development projects. "But knocking out a local government is easier than it sounds. It requires legislation, and a lot of lawmakers on both sides of the aisle come from local government."

And it isn't only the number of authorities that is a concern. Illinois has about one sixth of America's public pension plans – 657 out of almost 4,000.

Local authorities in Illinois are mandated by law to keep the Illinois Municipal Retirement Fund, with 400,000 local government members, fully funded. They had to contribute $923 million in 2014, up from $543 million in 2005.

However, there is no such requirement for the local pension funds. The result: Many of these funds throughout the state are woefully underfunded, and some have less than 20 percent of what they need to meet obligations.

"Pension costs have been going up and up, so pension contributions have been going up and up, and property taxes are the single largest source of revenue to pay for them," Brandt said.

Townships alone provide a striking example of duplicated and costly services.

Cook County is the largest county in Illinois and second largest in America, with Chicago in its borders. There, property tax assessment and collection is done at the county level. But most of Cook County's 30 townships have elected and salaried property tax assessors. They neither assess nor collect property taxes, said Louise Muszynski, an assistant in the Cook County assessor's office.

"They do work," Muszynski said. "They help people at a local level to understand their bills, and help them with appeals."

Northfield Township's road district raised almost $1.4 million in property taxes in the last fiscal year – even though it contains parts of seven cities. Each of those cities has a government that provides road maintenance services, yet Northfield Township maintains its own network of 29 miles of roads, as well as sewers. It has six plow trucks and other equipment, and a full-time workforce of seven, said Wally Kehr, the township road district foreman, who earns more than $110,000 a year, according to the main Illinois pension database.

"We give a better service to local people than if the cities provided it," Kehr said.

In a rare instance of local government consolidation, officials in DuPage County, west of Chicago, managed to pass legislation in 2012 giving them the power to cut waste. Since then, they have abolished defunct sanitary and fire protection districts, cut duplicate staff and reduced benefits. Officials estimate savings to taxpayers of $100 million over 20 years.

EMPLOYING RELATIVES

The multiplicity of local governments also affords opportunity for nepotism. Looking at the database of the Illinois Municipal Retirement Fund, the main pension system for local government workers, Reuters identified nearly a dozen instances where husbands employ wives, mothers employ daughters, and fathers hire sons.

In Collinsville Township, in southwestern Illinois, the elected Highway Commissioner, Larry Trucano, employs his son James as a laborer, earning $71,000 a year, plus pension and health benefits, according to the Illinois Municipal Retirement Fund database. An official at Collinsville confirmed that James was employed by his father. Four telephone calls to Larry Trucano went unanswered.

In Venice Township, Andrew Economy, the township supervisor who earns $46,300 plus pension – he also runs a local auto repair and tow service – employs his wife, Debra Economy, as administrator. She earns almost $62,000 plus pension.

Andrew Economy said his wife does the jobs of two employees who retired in 2003 and 2008, and does them efficiently.

In the Village of Rosemont, population 4,000, which services Chicago's O'Hare Airport with hotels and a convention center, eight relatives of Mayor Bradley A. Stephens are village employees, including the police chief.

“Rosemont has never made an apology for the people they hire,” said Gary Mack, a village spokesman. “The mayor holds any employees who happen to be related to him to a much higher standard than others.”

By REUTERS

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