Assessment Matters: The Rise and Fall of the Illinois Resource Equalizer Formula

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This article explores the passage and failure of the 1973 Illinois Resource Equalizer formula which was designed to reduce disparities in school finance by breaking the connection between local wealth and school revenue. It argues that two sets of goals drove passage of the new law—equity and local property tax relief—and they came into conflict during implementation, with the latter winning out over the former. It argues that to understand both the passage and failure of the law requires looking deeply at the politics, policies, and practices of taxation, especially the methods of assessing property and levying taxes, where officials made decisions about how to apportion burden and benefits. The Illinois Resource Equalizer story highlights the political and policy choices that structure inequality through school finance at a moment when it was quietly defended and deepened.

Keywords: school finance, taxation, metropolitan, state, policy

In 1973, The Illinois legislature adopted a Resource Equalizer formula that aimed to reduce inequity in school finance by breaking the connection between local wealth and school revenue.[1] The new law significantly increased state aid, which was awarded to ensure that the local tax rate generated a given revenue per student regardless of wealth, and capped the amount that could be supplemented with local taxation. The reform came after more than two years of sustained public attention to the issue of fiscal inequity in the state—including four separate state-level commissions—and amid national discussions about potential federal intervention following the decision in

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[1] Public Act 78-215, *Laws of the State of Illinois Passed by the Seventy-Eighth General Assembly During the Calendar Year 1973,* vol. 1 (Quad Cities, IL: Illinois General Assembly, 1974), 638–650

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Serrano v. Priest, which found California's school funding unconstitutional because of its inequity.[2]

Nationally, and in Illinois, equity advocates saw school finance reform as a strategy for educational equity to complement or supplant school desegregation, especially to challenge the pernicious structural imbalances within metropolitan areas. In its first few years, evaluation studies showed it reduced disparities. However, within a decade, Illinois had not only failed to continue its progress toward fiscal neutrality, but was going in the other direction: by 1985, studies showed Illinois school funding was *more* inequitable than before the Resource Equalizer law was passed.

That the Illinois Resource Equalizer formula failed is not terribly surprising given what we know about the disappointing results of school finance reform in the 1970s and beyond. Wealthy and politically powerful districts resisted changes in school finance that would limit their ability to monopolize local property wealth in exclusive service of their own schools and were often able to thwart or dilute these efforts. The Supreme Court foreclosed federal court intervention in its 1973 decision *San Antonio v. Rodriguez*, undercutting hopes that it could be a significant avenue for reducing metropolitan racial and economic inequality.[3] Even where state courts were receptive to claims under state constitutions, the results were often unsatisfying because of the complexity of defining meaningful fiscal equity, continued political resistance by advantaged localities and state legislatures, and shifting tides of school reform that increasingly prioritized excellence over equity. Legal scholar James Ryan has compared state school finance litigation to a Russian novel: long, complicated, and everyone dies in the end.[4]

While the failure of the Illinois Resource Equalizer formula may be unsurprising, this article argues that *how and why* it failed matter, and this story holds important lessons about school finance reform and educational equity. In Illinois, equalization goals were not the only, or even arguably the most significant, set of pressures driving passage of the new law. Policymakers, school officials, and residents perceived local property taxes as overly burdensome and supported the new

[2] *Serrano v. Priest,* 5 Cal.3d 584 (1971).

[3] *San Antonio Independent School District v. Rodriguez,* 411 U.S. 1 (1973).

[4] James E. Ryan, *Five Miles Away, A World Apart: One City, Two Schools, and the Story of Educational Opportunity in Modern America* (New York: Oxford University Press, 2010); Douglas S. Reed, *On Equal Terms: The Constitutional Politics of Educational Opportunity* (Princeton, NJ: Princeton University Press, 2001); and Charles J Ogletree and Kimberly Jenkins Robinson, eds., *The Enduring Legacy of Rodriguez: Creating New Pathways to Equal Educational Opportunity* (Cambridge, MA: Harvard Education Press, 2015).

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formula as a way to shift more of the tax burden to the state and ensure more reliable school support. However, during implementation, state legislators were reluctant to increase state taxes, and state and local policymakers manipulated assessed valuation to limit, shift, and hide tax burdens. This undermined the efficacy and equity of the Illinois Resource Equalizer formula and eroded the political support for it. Tax relief and equity, initially seen as complementary goals, were ultimately pitted against one another, with the former winning out.

This story of failed school finance reform holds important lessons for our historical and contemporary understanding of school finance and educational equity. Our narratives of school finance reform tend to emphasize the litigation story and focus on how state funding formulas *distribute* revenue. While this is a critical story, this article shows that how revenue is *raised* and interacts with distribution is similarly critical, including the politics and practices of taxation. This story highlights how raising revenue—just like distributing it—is composed of a large number of discrete policy choices that are deeply political because they make decisions about how to distribute cost and benefits: what to tax and how; what to include and exclude; how to assign property to specific jurisdictions; how to categorize and value property; how to distribute the tax burden to different classes of property, places, or groups; and how to administer it, including whether to centralize or allow local variation and discretion. The quotidian practices of taxation, including assessing value and fixing burdens, matter for the efficiency, equity, and legitimacy of school finance and profoundly shape how funding operates in practice but are often invisible in discussions of it. Even at this moment when they broke into view more than usual, public debates often failed to reckon with the ways that the everyday policies and practices of taxation, especially property valuation, systematically privileged some groups and places over others and undermined the equalization potential of the new formula.

The failure of the Illinois Resource Equalizer thus also highlights the centrality of politics, even in areas often perceived as simply neutral economic decisions. It builds on the insights of a small but growing literature on the politics of taxation, which frame it as an important and consequential area where questions of democracy, public and collective responsibility, and the distribution of burdens are decided, with significant consequences for the operation of the state and the distribution of power and privilege.[5] The Illinois Resource Equalizer formula

[5] Robin L. Einhorn, *American Taxation, American Slavery* (Chicago: University of Chicago Press, 2006); Isaac William Martin, *The Permanent Tax Revolt: How the Property Tax Transformed American Politics* (Stanford, CA: Stanford University Press, 2008);

represented a deeper debate about the balance between local and state responsibility in education—including each one's fiscal responsibility as well as whether localities could continue to claim an exclusive and proprietary right to a state-guaranteed public good deemed essential for democratic citizenship. This discussion took place not only in the framing of the funding formula, but in the myriad policies and practices around taxation that followed and shaped the formula in action. Consequently, at a moment when questions of educational equity were on the table in new ways at federal, state, and local levels, tax policies and practices and revenue distribution helped to defend geographic, economic, and racial inequalities.

In addition to the deeply political decisions about how to apportion burden and benefits that are central to taxation and school finance, this story highlights how the perceived fiscal crisis itself was deeply structured by policy choices. Increased costs reflected political decisions about spending as well as inflation, however, the sense of fiscal crisis in schools and local governments was not simply, or even primarily, a result of economic forces. State policymakers made specific choices to hold down state revenue, to push a disproportionate burden to local governments, to give lower priority to education than other public projects, and to permit some places and groups—especially affluent white suburbanites and businesses—to pay less than their fair share. Consequently, the tax cut and austerity politics that rose in the 1980s at state and local levels was not just economic necessity or a trickle down of Reagan administration priorities. In part, it was rooted in over a decade of policy decisions and frustrations with politically constructed inadequacy, unfairness, and inequity in state taxation, especially property tax.[6]

Isaac William Martin, Ajay K. Mehrotra, and Monica Prasad, *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective* (New York: Cambridge University Press, 2009); Camille Walsh, *Racial Taxation: Schools, Segregation, and Taxpayer Citizenship, 1869–1973* (Chapel Hill: University of North Carolina Press, 2018); Ajay K. Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877–1929* (New York: Cambridge University Press, 2013); Kim Phillips-Fein, "The New York Fiscal Crisis and the Idea of the State," in *American Capitalism: New Histories,* ed. Sven Beckert and Christine Desan (New York: Columbia University Press, 2018); and Molly C. Michelmore, *Tax and Spend: The Welfare State, Tax Politics, and the Limits of American Liberalism* (Philadelphia: University of Pennsylvania Press, 2012).

[6]Kim Phillips-Fein makes a similar point that the 1970s "fiscal crisis" in New York City was rooted in policy decisions and its "solution"—fiscal austerity and neoliberal policies—was framed as an economic necessity but reflected the triumph of a distinct set of political priorities. Kimberly Phillips-Fein, *Fear City: New York's Fiscal Crisis and the Rise of Austerity Politics* (New York: Metropolitan Books, 2017).

Finally, this story of the rise and fall of the Illinois Resource Equalizer highlights the ways in which the inequality of the school financing system helped to structure politics around schooling over time and defend metropolitan inequality. Wealthy suburban districts benefited from generations of tax benefits, including the ability to monopolize their own wealth for their own benefit and the systematic underassessment of their wealth, which required them to contribute less than their fair share in taxes to the county and state. When they faced threats to these privileges that they had largely taken for granted, including a more equitable assessment system and limits to their ability to monopolize local resources, they defended these privileges as rights of local control, defending inequality. This story thus builds on the studies of middle-class opportunity hoarding that have emphasized the pivotal role suburban jurisdictional boundaries played in strengthening the ability of middle-class families to stockpile resources, including public goods like education, which has been a particularly important way for transferring those advantages to the next generation.[7] This study shows how taxation played a critical role in defining and defending these boundaries and advantages over time. In an era in which some fights over educational inequality were very public—including school desegregation—educational inequality (geographic, economic, and racial) was quietly defended and perpetuated through school finance and administration of property taxation.

The Rise of the Illinois School Equalizer Formula

Illinois school funding had always been inequitable, in large part because it so heavily relied on funding by property taxes assessed in and bounded within districts of highly unequal wealth. Under state law, school boards needed voter approval to raise educational tax rates. Consequently, school funding consisted largely of the revenue generated by resident-approved tax rates applied to the district's

[7] For historical and social science studies of middle-class opportunity hoarding of education and other public goods, see John L. Rury and Aaron Tyler Rife, "Race, Schools, and Opportunity Hoarding: Evidence from a Postwar Metropolis," *History of Education* 47, no. 1 (Jan. 2018), 87–107; John L. Rury and Argun Saatcioglu, "Suburban Advantage: Opportunity Hoarding and Secondary Attainment in the Postwar Metropolitan North," *American Journal of Education* 117, no. 3 (May 2011), 307–42; Ellen A. Brantlinger, *Dividing Classes: How the Middle Class Negotiates and Rationalizes School Advantage* (New York: RoutledgeFalmer, 2003); Stephen J. Ball, *Class Strategies and the Education Market: The Middle Classes and Social Advantage* (New York: RoutledgeFalmer, 2003); and Jessica Trounstine, *Segregation by Design: Local Politics and Inequality in American Cities* (New York: Cambridge University Press, 2018).

assessed property valuation, within limits set by state law. Illinois lagged even further behind most states in using state aid to try to decrease some of the disparities generated by variable wealth and effort. In the 1960s, the state's share of school support was about 20 percent at a time when the national average neared 50 percent. Numerous authorities agreed that Illinois ranked among the wealthiest of states and the stingiest in its support for education, with disagreements about whether it ranked forty-ninth or merely forty-fifth out of the fifty states.[8] The state's foundation funding formula helped to lift up some of the poorest districts but did little to actually equalize, since its foundation rate was set much too low to actually constitute an acceptable minimum level of education—many districts in the state spent two to three times the foundation amount per student—and half of this state aid was distributed as flat grants and categorical aid regardless of need.[9]

School funding disparities in metropolitan Chicago were particularly glaring, given that hundreds of independent districts (elementary, high school, and dual) lay in close proximity to one another with vastly different tax bases, tax rates, and school revenue yields. One 1954 study of school funding in the Chicago suburbs found a ratio of 1:84 in the ability of the poorest and richest districts to support education, with the tax base per pupil ranging from $6,397 to $536,846.[10] In just one of many examples, the small suburb of Stickney (population 6,239 in 1960) contained two highly unequal elementary school districts. District 110, which contained the Clearing Industrial District, was able to levy a low tax rate—$0.32 per $100 assessed valuation—to its high-value property and generate a robust $602 per student. Neighboring district 111, supported by the modest residential property of the people who worked in factories, had to levy three times the tax rate ($0.94 per $100) to yield less than half the revenue

[8] Citizens Schools Committee Statement to the Illinois School Problems Commission, Jan. 27, 1965, Citizens Schools Committee Papers, folder 2, box 21, Chicago History Museum, Chicago, IL (hereafter cited as CSC Papers); Illinois Education Association, "Common School Fund Needs Vigorous Support," statement, Jan. 1964, Civic Federation Papers, folder 42, box 11, DePaul University, Chicago, IL (hereafter cited as Civic Federation Papers); and Taxpayers' Federation of Illinois, "The Illinois Tax Climate" (1960), League of Women Voters of Illinois Papers, folder 453, box 53, University of Illinois-Chicago Special Collections, Chicago, IL (hereafter cited as LWVI Papers).

[9] William McLure, "An Analysis of the Illinois Foundation Program of Public School Support," *University of Illinois Bulletin,* 1952, folder 10, box 42, Civic Federation Papers.

[10] Alexander Woodrow, "Financial Aspects of School District Reorganization in Suburban Chicago" (PhD diss., University of Chicago, 1954), 58.

($287 per student).[11] Stickney was one of many examples that critics used to illustrate the way that business property wealth—fixed by law in a single location even if workers, customers, and impacts flowed across district lines—generated unfair advantages for some places. Districts that won the "tax base lottery" as one sociologist put it, could count on strong school funding with low tax effort because of their property wealth and fought to protect these "tax shelters."[12] *The Chicago Sun-Times* noted in 1969 this "strange paradox" of the "crazy quilt financing of schools in suburbs" . . . "[T]he more you pay in local school taxes, the less you can expect will be spent on the education of your children."[13]

Decades of state commissions pointed to this inequality as a problem, especially because education was a state responsibility. As one 1963 state commission noted, echoing decades of these reports, "every child in Illinois is entitled to an adequate education" and "this opportunity should not depend upon the accident of place of residence."[14] Since the early twentieth century, expert studies and state commissions repeatedly identified geographic inequalities in school resources as a problem and recommended the same potential solutions: reorganize districts into larger units with stronger tax bases; increase the state share of funding and use it to promote equalization; and broaden the tax base that supports schools by diversifying tax sources or sharing business tax revenues on regional rather than a district basis. Efforts to implement these changes were much more limited, however, running afoul of two strong forces for the status quo: (1) state deference to local control and (2) the resistance of politically and economically advantaged localities and actors to redistributing tax burdens and benefits when they benefited from the status quo.[15]

[11] "District 111 Files Suit to Merge with 110," *Chicago Tribune,* Sept. 2, 1956, part 3, 3; "County Board Bars Merger of District 111," *Chicago Tribune*, Aug. 5, 1956, part 3, 1; and "Asks to Merge Stickney Twp. School Areas," *Chicago Tribune*, March 13, 1955, part 3, 1.

[12] Pierre de Vise, "Chicago's Widening Color Gap" (Chicago: Interuniversity Social Research Committee, 1967), Municipal Reference Collection, Harold Washington Library, Chicago, IL (hereafter cited as MRC); and Pierre de Vise, "Segregation and Local Government II: School District Governments: Balkanization to Favor the Privileged," unpublished working paper II.9 (Chicago, Chicago Regional Hospital Study, 1968), MRC.

[13] Christopher Chandler and Joel Havemann, "Crazy Quilt Financing of Schools in Suburbs," *Chicago Sun-Times,* June 3, 1969, 34; and Christopher Chandler and Joel Havemann, "Solving School Finance," *Chicago Sun-Times*, June 4, 1969, 44.

[14] School Problems Commission, *Illinois School Problems: Report of the School Problems Commission,* no. 7 (Springfield, IL: School Problems Commission, 1963), 25.

[15] William Paul McLure, *Financial Support of the Illinois Public Schools* (Urbana: Bureau of Educational Research, College of Education, University of Illinois,

While these place-based disparities in education were long standing, these fiscal inequities were cast in a new light in the 1960s after the *Brown v. Board* decision and new federal policies committed to equal educational opportunity. Much of this activity centered on court-mandated school desegregation, which had made limited inroads in Illinois. Activists began to target the vast resource differences between schools that bolstered racial and economic segregation. Education legal scholar Arthur Wise, for example, argued in 1968 that school finance was the next frontier of equal protection litigation, and he mapped out a strategy to challenge wealth and geographic inequality using legal precedents from school desegregation, legislative reapportionment, and aid to indigent defendants.[16] Yet the question of appropriate remedy troubled early legal efforts. Courts worried that equal spending was too rigid a remedy and that funding based on "need" was too imprecise a standard, since experts could not agree on how to define or measure need.[17] In 1970, John Coons, William Clune, and William Sugarman transformed the discussion by offering a new option they called *fiscal neutrality*. Rather than provide the same funding to all or try to define educational need, they argued that states ought to ensure that school revenue was not the function of wealth but instead reflected local effort and decision-making. States should use "power equalizing" to guarantee that a given tax effort (reflected in the locally determined tax rate) produced sufficient and equal school revenue regardless of the wealth of the local tax base.[18]

The California Supreme Court was the first to adopt fiscal neutrality, with its 1971 decision *Serrano v. Priest*, in which it ruled that California's method of financing public education violated state and federal equal protection guarantees. The court declared that the system "invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors." Applying strict judicial scrutiny because it deemed

1955); Oscar Friedolin Weber, *The Problem of School Organization and Finance in Illinois* (Urbana: University of Illinois, College of Education, 1938); Francis G. Cornell, William P. McLure, Van Miller, and Raymond E. Wochner, *Financing Education in Efficient School Districts: A Study in School Finance in Illinois* (Urbana: Bureau of Research and Service, College of Education, University of Illinois, 1949); and School Finance and Tax Commission, *State Support of Public Education in Illinois* (Springfield: The Commission, 1947).

[16] Arthur E Wise, *Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity* (Chicago: University of Chicago Press, 1968).

[17] Wise advised an unsuccessful challenge to the Illinois system in *McInnis v. Shapiro,* 293 F. Supp. 327 (N.D. Ill. 1969).

[18] John E. Coons, William H. Clune, and Stephen D. Sugarman, *Private Wealth and Public Education* (Cambridge, MA: Belknap Press of Harvard University Press, 1970).

education a fundamental right and wealth a suspect classification, the court ruled that the state's rationale for the funding system—preserving local control—was not compelling since it could be achieved in other ways. Furthermore, local control in this system was a "cruel illusion," the court judged. "Only a district with a large tax base will be truly able to decide how much it really cares about education. The poor district cannot freely choose to tax itself into an excellence which its tax rolls cannot provide."[19] Soon thereafter, lower federal courts applied this reasoning to require changes to school finance in Texas and Minnesota, and the US Supreme Court granted certiorari in the Texas case.[20]

Worried that its system was susceptible to legal challenge after *Serrano,* Illinois policymakers took up school finance reform. The School Problems Commission, a standing advisory group of legislators and experts, investigated the state's funding system, and the governor, legislature, and state superintendent each appointed a special commission. These four groups approached the problem in different ways, shaped by their composition and political orientations, and offered different assessments, especially the balance between equity and local control. In the end, the commissions and the legislature converged on fiscal neutrality as an acceptable compromise, one that would enable local decisions about tax rates but eliminate some inequities caused by wealth.

As the legislature was still considering the input of commissions and crafting legislation, the US Supreme Court ruled in *San Antonio v. Rodriguez* that unequal school funding did not violate the US Constitution. The court rejected the reasoning in *Serrano* that triggered strict scrutiny, namely that education was a fundamental right and wealth a suspect classification. Without this heightened level of skepticism, the court deemed Texas's goal of fostering local control sufficiently "reasonable."[21] While *Rodriguez* foreclosed federal challenges to state financing systems, activists turned to the states, with mixed results; within months of *Rodriguez*, the Illinois Supreme Court rejected a challenge under the state constitution.[22]

Despite the declining legal pressure, the Illinois legislature continued to develop the Resource Equalizer plan and passed legislation in late 1973. The equity concerns raised in two years of study and discussion did not dissipate overnight, and for some advocates it was a far

[19] *Serrano v. Priest,* 5 Cal. 3d 584 (1971), at 589, 611.

[20] *Van Dusartz v. Hatfield,* 334 F. Supp. 870 (D. Minn. 1971); and *Rodriguez v. San Antonio Independent School District,* 337 F. Supp. 280 (W.D. Tex. 1971).

[21] *San Antonio Independent School District v. Rodriguez,* 411 U.S. 1 (1973).

[22] *Blase v. State,* Ill. 2d 94 (1973).

more palatable solution to inequality than school desegregation or fair housing that were under national discussion.[23] Furthermore, these equity concerns were not the only driver of school finance reform in Illinois. Anxieties about taxation also spurred reform, especially the concern that property taxes and local schools were in crisis. In promising to shift more of the burden of supporting schools from local districts to the state, the Resource Equalizer promised both greater equalization and local property tax relief.

School costs were rising steeply in the decade before the Resource Equalizer formula, and many observers viewed it as an unsustainable burden on local property tax. Rising education costs were outpacing revenue for many reasons: growing and geographically shifting enrollments; growing service demands and expectations as students stayed in school longer, schools reduced class sizes, and parents expected more services; state and federal mandates that pushed schools to assume new responsibilities; and significant increases in the cost of goods and services, including labor, because of high inflation and collective bargaining. The baby boom hit the schools in the 1960s, necessitating expansion of the teaching force, new school construction, and higher overall spending. Adding to this enrollment pressure was inflation, which averaged 2 percent annually in the 1950s, reached 5 percent annually in the late 1960s, and doubled again in the 1970s, topping 10 percent in some years. Teachers used their recently gained collective bargaining rights in Illinois to demand salary increases to keep pace with the escalating cost of living.[24] School expenditures rose from $253 million a year in 1950 to $2.8 billion by 1972, far exceeding inflation alone. While assessed valuation rose too, spending far outpaced it, requiring district officials to turn repeatedly to voters for tax rate increases.[25]

Education was not the only public policy shaped by inflation, rising labor costs, and growing service demands. Governments at all levels in Illinois and throughout the nation saw their costs rise

[23] James Ryan talks about this as "Nixon's compromise" and was embraced by suburbanites and policymakers especially at the federal level: reform school finance as an alternative to desegregation efforts in metropolitan housing and schools. Ryan, *Five Miles Away, A World Apart.*

[24] "Inflation Puts a Dent in School Board Budget," *Chicago Tribune*, May 25, 1959, A14; Department of State Governmental Relations, "The Rising Cost of Public Education," *The Legislature and the Schools*, June 1972, MRC; and "Historical Inflation Rates: 1914–2020," US Inflation Calculator, http://www.usinflationcalculator.com/inflation/historical-inflation-rates/.

[25] Governor's Commission on Schools, Finance Task Force, *A New Design: Financing for Effective Education in Illinois* (Springfield, IL: Governor's Commission on Schools, 1972), 26.

significantly in the same period. Spending by Cook County local governments rose eightfold between 1946 and 1971, from $207 million to $1.6 billion.[26] At the same time, the Illinois state government faced a series of fiscal crises in the 1960s as its revenues could not keep pace with spending, leading to repeated sales tax increases and the reluctant imposition in 1969 of the state's first income tax.[27] The Civic Federation, a taxpayer watchdog composed largely of businesspeople, argued in 1973 that "we have arrived at a crisis stage in financing local governments in Illinois" and the property tax in particular had become "intolerable." From 1961 to 1971, it reported, property tax levies had risen 171 percent in the Chicago suburbs and 117 percent in Cook County overall, including 14.6% in 1971 alone. Many called on the state to assume greater responsibility in education to ease the burden on localities because schooling was the largest expense and the state invested so much less than most other states.[28]

Thus, while costs were rising, this funding crisis was not simply the result of economics but also politics. For decades, the state restricted sources of state revenue and pushed the vast majority of school costs to local districts. This led to a heavier reliance on local property tax revenue than in many other states within an overall tax burden that was middling to low. Specific state laws and policies determined taxation and distribution features, and years of successive state legislatures refused to address the inequities built into taxation. This allowed some districts—especially affluent suburbs and rural communities—to benefit from artificially low taxes; other districts were consigned to struggle, including rural, suburban, and city schools with stagnating tax bases. Furthermore, property tax administration could be a deeply political process, and suspicions about its unfairness, especially in property valuations, fueled tax complaints. The Illinois Chamber of Commerce, echoing many observers' analysis about the special hostility citizens felt for the property tax above others, attributed the complaints to three things: the state's heavy reliance on it compared to other revenue sources; payment in a lump sum rather than in small amounts, like with a paycheck or sale taxes; and, perhaps most importantly, "little confidence they were being administered equally or fairly."[29]

[26]"Freeze on Property Tax Revenue," *Chicago Sun-Times*, June 13, 1972.

[27]Glenn W. Fisher, *Taxes and Politics: A Study of Illinois Public Finance* (Urbana: University of Illinois Press, 1969).

[28]D. Daniel Baldino, Statement to the House Revenue Committee, Springfield, IL, April 25, 1973, folder 8, box 156, Civic Federation Papers.

[29]Illinois State Chamber of Commerce, "The Illinois Fiscal Crisis in Perspective: A Question of Balance,"[ca 1968] folder 453, box 53, LWVI Papers.

Complaints about the unfairness, inequity, and secrecy of property tax administration were as old as the tax itself. Many complaints were rooted in the decentralized manner in which property was assessed: by 1,500 township assessors, whose sole qualifications were being over age twenty-one and able to win election.[30] The *Chicago Tribune* described them as "amiable incompetents" who were "almost always totally ignorant of appraising principles" but who were "heavy fellows politically" and often "the local kingpins of politics."[31] One "insider's analysis" of the city political machine argued that the Cook County assessor was the most important office in the state, "for with control of that office comes the ability to raise massive campaign funds for the party for office and campaigns in which the party has a major interest."[32] Suspicions of political dealings and unfairness in appraising individual property parcels were legion but hard to confirm, since assessors were not transparent about their methods or records. There was a lot of room for manipulation for political advantage.

Even when assessors sought to act in nonpartisan and professional ways, there was considerable discretion built into the system, which produced highly variable outcomes within and between jurisdictions. Assessors had different methods to choose from, assessment had a strong component of subjective judgment, and, most significantly, assessors usually valued property at less than its full fair market value. Different assessors applied different discounts, meaning that the actual meaning of "assessed valuation" varied greatly throughout the state; property might be assessed and taxed at 70 percent of its value in one place and 40 percent in another. When funds stayed local, this mattered only to the extent that it rendered legal tax rate limits more restrictive. However when assessed valuation was used as the basis of state taxation or aid, the tremendous geographic variation meant that taxpayers were bearing (significantly) different

[30] Assessment was conducted by township assessors in all but Cook County, where an elected county assessor centralized assessment.

[31] "Where the Fraud Lies in State School Aid," *Chicago Tribune*, May 23, 1955, 16; "Fair Assessments," *Chicago Tribune*, July 30, 1955, 10; and "Another Illinois Tax Mess," *Chicago Tribune*, Sept. 27, 1950, 22. For analysis of Illinois property tax administration, see Robert H. Pealy, *A Comparative Study of Property Tax Administration in Illinois and Michigan, with Emphasis on State Administration of Intercounty Equalization* (Ann Arbor: University of Michigan, 1956); Thaddeus Peter Kawalek, "The Educational Implications of Property Assessment Practices in Illinois" (PhD diss., University of Chicago, 1959); and Richard J. Kissel, *A Review of Assessment Practices: A Digest of the Report to Gov. Richard B. Ogilvie* (Springfield, IL: Office of the Governor, 1972).

[32] Milton L. Rakove, *Don't Make No Waves—Don't Back No Losers: An Insider's Analysis of the Daley Machine* (Bloomington: Indiana University Press, 1975), 140.

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burdens across the state. This was a major factor in abolishing property taxes as the basis for state taxation in the Progressive Era.[33]

The new state education foundation formula after World War II reintroduced the salience of geographic inequities in assessment practices, since it distributed aid partially by need, as defined by highly variable local assessment. Townships were incentivized to undervalue property to keep assessments, and hence local taxes, lower and also capture more state aid. To address the issue, the legislature empowered state administrators to apply a "multiplier" to each county to adjust its assessed valuation up to a standard amount throughout the state (often 50–75 percent of market value). While this evened out some of the worst inequities, it produced others: the multiplier was assessed at the county level, while property was usually assessed at the township level, meaning it could exacerbate within-county inequalities. Furthermore, the multiplier the state applied was itself a subjective, contested, and secretive calculation; at times, it became embroiled in controversies over whether it was political, a charge levied with frequency by Democratic Cook County assessors against Republican-appointed state administrators.[34]

Consequently, complaints about fairness, equity, and transparency were long standing in discussions of property taxation and school funding in Illinois and across the nation. These complaints grew louder and sharper in the early 1970s with a series of tax assessment scandals in Cook County. In 1971, the Citizens Action Program (CAP), a group inspired by community activist Saul Alinsky, exposed US Steel's low property valuation, which CAP argued had robbed the tax rolls of $100 million in revenue over the past decade. Co-chaired by activist Paul Booth and social justice Catholic priest Leonard Dubi, the group embraced Alinsky's organizing theory: build "people power" through direct action and organizing on issues that concerned communities.[35] CAP initially targeted air pollution as an organizing issue, but

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[33] On weaknesses, subjectivity, and variation in assessment practices, see Glenn W. Fisher, *The Worst Tax?: A History of the Property Tax in America* (Lawrence: University Press of Kansas, 1996); Martin, *The Permanent Tax Revolt*; Advisory Commission on Intergovernmental Relations, *The Role of the States in Strengthening the Property Tax*, vol. 1 (Washington, DC: Government Printing Office, 1963); and Advisory Commission on Intergovernmental Relations, *Financing Schools and Property Tax Relief—A State Responsibility* (Washington, DC: Government Printing Office, 1973).

[34] Robert C. Carey, "A Review of Studies on Assessment Administration of the Property Tax in the State of Illinois," Statement to Illinois Task Force on Education, 1965, box 23, Benjamin C. Willis Papers, Hoover Institution, Palo Alto, CA.

[35] Aaron Schutz and Mike Miller, eds., *People Power: The Community Organizing Tradition of Saul Alinsky* (Nashville, TN: Vanderbilt University Press, 2015); Glenda Sampson, "'People's Power' Has Finally Come of Age," *Chicago Today*,

in the course of investigating US Steel, which it deemed "Chicago's worst air polluter," it uncovered the 73 percent discount applied to the company's property at a time of draconian education cuts.[36] This issue of business underassessment, and the impact it had on underfunding schools and overburdening homeowners, resonated with local residents, and CAP embraced it. This business underassessment was the result of policy choices and administrative action, not neutral market forces or economic logics.

CAP began investigating the Cook County Assessor's Office, and despite its refusal to produce records, CAP was able to document specific, significant instances of underassessment in city and suburban steel mills, racetracks, banks, savings and loans institutions, downtown businesses, suburban shopping malls, and corporate headquarters, including some cases where businesses paid no tax at all.[37] It also exposed overassessment in some declining urban neighborhoods and helped residents challenge them. Federal investigations and indictments followed. CAP utilized publicity to create pressure, staging headline-grabbing protests and releasing its reports to the press. It moved from attacks on assessment fairness to a broader attack on property tax: it argued the system was "regressive, encourages decay and abandonment, and means that richer suburban schools have more resources."[38]

Many business and taxpayer groups joined the call for property tax reform and relief in the early 1970s, often mixed with calls for more accountability and restraint on local government spending. The Civic Federation, for example, warned that school officials had equated spending with educational improvement but called for them to "insure performance, to assess the value of your product" before seeking more support.[39] It did not call for massive cuts—as it would

April 23, 1972, 27; and David Moberg, "The Death of CAP," *Chicago Reader,* Oct. 7, 1977, 1.

[36]Bob Creamer, Frank Pierson, and Paul Booth, "73% Tax Break at South Works," (1971), folder 6, box 1, Citizens Action Program (Chicago, Ill.) records collected by Paul Booth, Chicago History Museum, Chicago, IL (hereafter cited as CAP/PB Papers); Citizens Action Program, "Where We Stand on the Big Business Property Tax Scandals," 1971, folder 6, box 1, CAP/PB Papers.

[37]Dozens of press releases and memos document these efforts in 1971–1972, folders 11 and 12, box 5, CAP/PB Papers. See also "P. J. Cullerton vs. The People: Where We Stand," Dec. 1971, folder 56, box 7, Citizens Action Papers, University of Illinois-Chicago Special Collections, Chicago, IL; and "Checking Up on Assessments," *Chicago Daily News*, Dec. 1, 1972.

[38]"Taxpayers' Platform" adopted by a metropolitan-wide coalition of groups at the Taxpayers' Assembly Feb. 13, 1972, folder 11, box 5, CAP/PB Papers.

[39]R. Neal Folk and Joseph V. O'Neil to the President and Members of the Chicago Board of Education, July 13, 1970, folder 3, box 45, Civic Federation Papers.

in later years—but did advocate tax relief, including a two-year tax freeze that was supported by the Taxpayers' Federation of Illinois and the Illinois Agricultural Association, among others. While the legislature narrowly failed to pass the tax freeze in 1972, it took up over a dozen bills to provide tax relief and approved some, including a $1,500 homestead exemption for senior citizens, as well as elimination of the personal property tax for individuals, which was a much hated and abused tax on cars and household goods that was unevenly assessed throughout the state.[40] It began a long trend of legislative tax cuts and manipulations that provided piecemeal relief for some by shifting burdens to others and/or reducing government services.

The growing taxpayer fatigue that registered in school district elections starting in the mid-1960s intensified in the early 1970s. In 1964–1965, 73 percent of educational referendums in metropolitan Chicago passed, while approval rates dropped in the following years until 1970–1971, when voters approved only 28.3 percent of referendums.[41] One newspaper noted in 1968 the "ominous pattern" of referendum defeats that year and worried how much longer "quality can be upheld in the face of taxpayers' revolt."[42]

In a few places, school referendum defeats expressed voter rejection of specific policies. In the suburb of South Holland, for example, voters repeatedly rejected tax increase referendums after court-mandated school desegregation as white residents withdrew support from the schools, including both attendance and dollars. However, in most places, no specific policies prompted new resistance, only expressions of frustration with rising costs that were borne locally.[43] Observers interpreted the voter rejections as the result of overall taxpayer fatigue.

[40] John Elmer, "Real Estate Tax Freeze Defeated," *Chicago Tribune*, June 20, 1972, sec. 1, 3; "Tax Reform Time," *Chicago Sun-Times*, Feb. 26, 1973; and Office of the Superintendent of Public Instruction, "Property Tax and School Aid—Fiscal 1973," *The Legislature and the Schools*, May 1972), MRC.

[41] Kingsley Wood, "Voters Increasingly Turn Down Suburban Schools Fund Boosts," *Chicago Sun-Times*, Feb. 11, 1968; and Office of the Superintendent, "Property Tax and School Aid—Fiscal 1973."

[42] "Suburban Tax Strikes Hurt School Districts in Ominous Pattern," *Chicago American*, Oct. 13, 1968, 8.

[43] For example, Joy Darrow, "Voters Balk at School Bond Sanctity: Referendum Failures Become Increasingly Common," *Chicago Tribune*, Feb. 18, 1968, S14; George Leposky, "Voters' Dream: Fine Schools, No Taxes," *Chicago Today*, Nov. 29, 1969; Donna Joy, "Budget Slashes May Spell Crisis for Suburb Schools," *Chicago Today*, Jan. 18, 1970, 3; and "Many Suburban Schools Floundering in Red Ink: Some Worse Off Than City," *Chicago Daily News*, Feb. 7, 1972, 3.

As one newspaper noted, "People have no direct way of protesting except on local taxes, and the school is the first to get hurt."[44]

Faced with tax bases that did not keep up with rising costs and voters' increasing reluctance to raise the tax rate, school boards throughout the state were forced to lay off teachers and staff, increase class sizes, cut programs and services, and/or engage in deficit spending, including high-interest, short-term borrowing. One study in 1972 noted that 60 percent of suburban Cook County school districts had turned to tax anticipation warrants, borrowing money against future tax payments.[45] As state officials noted, "They are, in effect, robbing Peter to pay Paul because next year's Educational Fund will be deficient to the amount that they borrowed this year plus interest."[46] In addition to debt, many were contemplating or enacting significant cuts to educational programs and staffs—even districts long regarded as educational leaders with education-conscious communities. The growing white suburban district of Park Ridge, for example, had long enjoyed a strong educational reputation, but officials there were laying off dozens of teachers, closing foreign language programs, and cutting administrative staff and services to cut costs, which residents predicted would spell "the beginning of disaster for the good schools Park Ridge traditionally has enjoyed."[47]

The state superintendent's office emphasized the plight of "financially troubled schools" throughout the state in the early 1970s with dozens of specific examples of urban, rural, and suburban schools in fiscal crisis. State officials bemoaned that even in suburban Lake County, "the wealthiest area of the 3rd richest state in the country the local schools are displaying the symptoms of the fiscally crippled—deficit spending, program cuts, staff cuts." They cited as one example Maine Township High School District in booming and affluent northwestern Cook County. Costs were far outpacing revenue; already bearing one of the heaviest tax burdens in the region,

[44]Glenda Sampson, "How Money Crisis Hit Suburb Schools," *Chicago American*, Jan. 21, 1968, 1; and Mary Knoblauch, "Suburban Schools: Blue Island Keeps Saying 'No' to New Taxes," *Chicago American*, Aug. 13, 1967, 1.

[45]Office of the Superintendent of Public Instruction, "A Brief Digest of Financially Troubled School Districts," May 1972, folder 1, box 43, Civic Federation Papers; which contains newspaper clippings of dozens of suburban districts in crisis; and Wesley Hartzell and Jack Van Dermyn, "Suburban Schools Story Told in Red," *Chicago Today*, March 8, 1971, 17.

[46]Office of the Superintendent of Public Instruction, "More Financially Troubled School Districts: A Supplement to Dr. Bakalis' February 18, 1972 Report to the School Problems Commission," folder 1, box 43, Civic Federation Papers.

[47]Donna Joy Newman "Park Ridge Schools Caught in Cash Pinch," *Chicago Today*, Dec. 12, 1971, 28.

voters rejected a tax increase in 1972, and district officials had to make deep cuts to reduce the $4 million deficit. State officials argued that residents there and around the state "have not shirked their responsibility but the financial crisis is severe." They "care about the quality of education which their children receive but there is a limit to what local people can do."[48]

The fiscal crisis was especially acute in Chicago Public Schools (CPS), where rising costs, restrictions in state law, and racial politics limited the ability to raise revenue and produced recurrent crises in the late 1960s and early 1970s. In 1966, Superintendent James Redmond testified that Chicago's educational tax rate was at its legal maximum and the district was facing a deficit.[49] Before 1966, the district had been in relatively good financial shape. The chief fiscal complaint of school officials before that point had been that state law didn't allow the district to fully utilize its property wealth because of a lower ceiling on the city's educational tax rate than other districts. A 1959 *Chicago Sun-Times* editorial, for example, critiqued the legislature for its "meddling fingers," arguing, "what business of the legislature is it to deny Chicago the right to spend as much on its schools as [the suburb of] Evanston does."[50]

However, starting in the mid-1960s, CPS costs began to sharply rise and revenue could not keep pace. Like other districts, Chicago was hit hard by inflation, demands for additional services, building costs as the population shifted (and officials spent heavily on construction to maintain segregation), and rising teacher salaries. The Chicago Teachers Union (CTU) was recognized as the agent for collective bargaining in 1966, and in the years that followed it negotiated for salary increases, benefits, and expensive improvements in working conditions, such as smaller class sizes. The first negotiations in early 1967 followed a pattern that would repeat itself in the coming years: CTU argued for salary increases to keep pace with the cost of living as well as to keep salaries competitive with suburban competitors—the district refused, citing lack of funds. Mayor Richard Daley, who counted on organized labor for support, intervened in the negotiations and agreed to a $20 million increase in salaries, arguing that they would figure out how to pay for it later. State law required the district,

[48] Office of the Superintendent of Public Instruction, "Financial Conditions of Selected School Districts throughout Illinois," Feb. 18, 1972, folder 12, box 42, Civic Federation Papers.

[49] James Redmond, Statement to School Problems Commission, Dec. 20, 1966, folder 3, box 24, CSC Papers.

[50] "Suburbanites Meddle in Chicago," *Chicago Sun-Times*, June 24, 1959; and "Shriver Sends an SOS for Tax Support," *Chicago Tribune*, June 24, 1959, 2.

unlike others in the state, to balance its budget each year. In 1967, this gambit paid off: voters approved a tax increase and the state increased its educational appropriation later in the year, allowing CPS to balance its budget before year-end.[51]

However, in future years the state legislature and city voters tired of this dynamic and began to refuse increases, creating significant gaps between promised salary increases and existing revenue that the district had to close through budget cuts. These gaps and cuts grew larger each year, and in 1972 the gulf between costs and revenue reached a staggering $100 million.[52] The state legislature was unwilling to bail CPS out but also unwilling to see the collapse of the state's largest school district—which educated a quarter of Illinois's children—so it allowed the district to deploy a range of stopgap measures to balance the budget in the short term without addressing the structural issues, which made them worse. Among other things, it allowed the district to use restricted funds for operating expenses and to issue bonds without voter approval to take on more debt.[53] The state legislature's eschewal of responsibility for CPS in part reflected political cleavages in state politics, namely the hostility and competition between Chicago political machine legislators and two other power blocs: downstate rural legislators and suburban legislators. Both groups looked with disdain at what they viewed as the political mismanagement and corruption of the city government and CPS. Consequently, many observers, including state leaders, argued that CPS's financial problems were caused by its own inadequate decision-making and failures, such as giving into union demands, poor management and fiscal discipline, and administrative bloat.[54]

Defenders of CPS countered that the problems were structural: assessed valuation had gone up only 45 percent since 1954 but costs

[51] Casey Banas, "Daley Pleads for Increase in School Aid: Points to State's Low Ranking," *Chicago Tribune*, Jan. 10, 1967, 3; "Peace at a Price," *Chicago Tribune*, Jan. 10, 1967, 14; "Squeezing the Schools," *Chicago Daily News*, Jan. 5, 1967, 14; and "Shortchanging the Children," *Chicago Sun-Times*, March 12, 1967.

[52] "Redmond Tells Gloomy School Outlook," *Chicago Tribune*, Jan. 20, 1972, 3; and "Schools' Bad-News Budget," *Chicago Daily News*, Nov. 29, 1972.

[53] On public debates and stopgap budgetary fixes, see "Time to Aid the Schools," *Chicago Daily News*, June 15, 1972; "Keep Schools Out of Hock," *Chicago Daily News*, July 29–30, 1972; "School Budgets and Reality," *Chicago Today*, June 2, 1972; John Elmer and Frank Zahour, "State Senate Unit Approves Bill to Aid Chicago Schools," May 12, 1973, *Chicago Tribune,* 27; and "School Board Should Act," *Chicago Sun-Times*, Sept. 5, 1972.

[54] "Our Stumbling School System," *Chicago Today*, March 13, 1972, 20; Jack Marbley, "Priorities, Not Money, Needed for Education," *Chicago Today*, March 7, 1972, 4; and "How Schools Waste $66 Million," *Chicago Today*, Dec. 1, 1972, 3.

had gone up 186 percent.[55] The flight of wealth and businesses to the suburbs, within a tax system that fixed value to a single physical location, meant that the suburbs' gain was Chicago's loss. In addition to a slackening tax base, Chicago, like many other big cities, experienced "municipal overburden"—overall city taxes were higher than suburban taxes because of heavy urban service demands with a lesser share going to schools. In 1973, for example, property taxes were $109.70 per person in Chicago, 40 percent of which went to schools; suburbs, in comparison taxed $47.51 per person, and 60–70 percent of that revenue went to schools.[56] Furthermore, the recent transformation of the school system to a majority black student body, while the city as a whole and its voting base remained majority white, created challenges in raising revenue. In Chicago, as in other major cities, school referendums became increasingly difficult to pass and broke down along racial lines, with white voters and politicians—many of whom sent their children to parochial schools—refusing tax increases for a system they increasingly identified as black and troubled.[57] Racialized narratives about CPS failure—a reassessment of the schools that far outpaced actual changes in their quality—was used to justify disinvestment by white city leaders, white voters, and state legislators.

Thus while some Illinois policymakers and residents may have been inclined to ignore CPS's fiscal troubles, others recognized it as part of a larger crisis in school financing and in property tax itself that suggested the need for fundamental state reform. For a time, property tax reform and school finance equalization reform goals converged on a shared solution to different but related problems: shift more of the costs of education away from local property tax and toward state sources. The formula, a form of power equalizing, guaranteed an assessed valuation per student when districts levied the qualifying rate by making up the difference between what the local tax wealth generated and the guaranteed amount. In order to ensure the state assumed a greater share of funding and that wealthy districts didn't simply use state aid to pull away from other districts, the state established a maximum local tax rate and pledged greater state resources. Districts that exceeded the tax rate would "roll back" to the maximum over time. In further support of equalization, the formula gave an additional

[55] Robert Bouzek, "The Property Tax Crisis in Chicago and Cook County: Position and Recommendations of the Greater Chicago Committee" (1972), folder 4, box 148, Civic Federation Papers.

[56] Tom Littlewood, "The Urban Overburden," *Chicago Sun-Times*, Sept. 24, 1967; and Neil Mehler, "Chicago, Northbrook Lauded on Taxes," *Chicago Tribune*, July 6, 1973, sec. 3, 13.

[57] "White vs. Black Voting Trends," *Chicago Tribune*, June 13, 1968, 24.

weighting for Title I students that was particularly beneficial for CPS and the handful of large urban districts in the state.[58]

While supporters of the new Resource Equalizer law saw it as embodying both equalization and property tax reform goals in ways that would provide needed support for schools, in practice, these two goals began to conflict almost immediately. State legislative action, administrative manipulation of the multiplier, and local assessment practices caused unintended consequences for the Resource Equalizer formula, especially for wealthy districts, which mobilized politically to amend it and to reassert local control of finance after the state proved an unreliable patron of schools.

The Fall of the Resource Equalizer Formula

Early evaluation studies of the new Resource Equalizer formula showed that it did make strides toward its goal of fiscal neutrality and reduced some of the disparities in tax burden and spending throughout the state. The Center for the Study of Education Finance at Illinois State University reported that the formula was reducing the association of wealth with expenditures, reducing disparities in expenditure per pupil, and significantly increasing the state share of school funding, from around 20 percent to nearly 50 percent. The districts the law aimed to help—struggling large urban districts and property-poor rural and suburban ones—were benefiting most.[59] However, in the early 1980s, these evaluation studies began to show a reversal in these trends, and by the mid-1980s they found Illinois school finance was even more inequitable than it had been before the Resource Equalizer formula was implemented. Experts pointed to two legislative changes that undercut the equity features of the law: the removal of the rollback feature and the reduction of the qualifying rate.[60] Both changes came as a result of shifting politics

[58] Wesley Hartzell, "How Much State Aid?: Schools Don't Know," *Chicago Today*, Aug. 17, 1973; and Michael Bakalis, *A Brief History of School Finance in Illinois; Being a Layman's Guide through the Snares of the State Aid Formula and Other Matters* (Springfield, IL: Office of the Superintendent of Public Instruction, 1974).

[59] G. Alan Hickrod, Ben C. Hubbard, and Thomas Wei-Chi Yang, *The 1973 Reform of the Illinois General Purpose Educational Grant-in-Aid: A Description and an Evaluation* (Normal: Illinois State University, 1975); G. Alan Hickrod and Ben C. Hubbard, "Illinois School Finance Research: Some Knowns and Unknowns," (Normal, IL: Center for the Study of Educational Finance, 1977); and G. Alan Hickrod, *Equity Goals in Illinois School Finance: 1973–1979* (Normal, IL: Center for the Study of Educational Finance, 1979).

[60] G. Alan Hickrod, Ben C. Hubbard, and Ramesh B. Chaudhari, *The Decline and Fall of School Finance Reform in Illinois: A Study of the Politics of School Finance, 1973 to 1986*, (Normal, IL: Illinois State University, 1985); G. Alan Hickrod and Normal Center for

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in property taxation and the ways in which state and county officials eased the property tax burden, which made school funding less secure and fostered resistance to the state formula and its equalization mechanisms.

Policymakers took three major steps to shift, ease, and hide the tax burden in ways that ultimately undermined the law. First, the state legislature underfunded the new Resource Equalizer formula, and the governor used his amendatory veto to further slash appropriations. State officials claimed the state could not afford the full cost of the formula. Critics pointed out that the Illinois tax burden was still relatively light compared to other states, but with recent increases in income and sales taxes, state politicians were loathe to turn to taxpayers for more just when they were complaining about the tax burden. State officials also did not prioritize education over other spending—it received only 10.5 percent of the state revenue growth in the 1970s.[61]

Second, the legislature approved tax relief measures, such as eliminating personal property taxes and increasing the assessment discount, that reduced the taxable property base on which schools were funded. Third, state officials and the Cook County assessor used assessment practices to shift the tax burden from homeowners to other property classes. All three moves had devastating impacts on school districts at the maximum allowable tax rate or whose voters refused to increase taxes, like Chicago: while their tax rates remained fixed, costs rose and assessed valuation dropped, and they saw their revenue shortfalls grow each year.

The high-flying high school district New Trier offers a window into these impacts and the political backlash they generated to the formula and its equalization features. One of the nation's most elite public schools, New Trier served affluent North Shore suburban communities that for decades had used exclusionary zoning, housing discrimination, and other mechanisms to protect their racial and economic

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the Study of Educational Finance, "Documenting a Disaster: Equity and Adequacy in Illinois School Finance, 1973 through 1988" (Normal: Illinois State University, 1987), MRC; and G. Alan Hickrod, Ramesh B. Chaudhari, and Ben C. Hubbard, *Reformation and Counter-Reformation in Illinois School Finance: 1973–1981* (Normal: Illinois State University, 1981).

[61] Office of the Superintendent of Public Instruction, *Legislature and the Schools* (Springfield, IL: Department of State Governmental Relations, Aug. 5, 1986), MRC. For some of the many critiques of Illinois's comparatively light tax burden, see Chicago Teachers Union, "Modernize IL Taxes Now!" June 1960, box 17, folder 5, box 17, CSC Papers; "How Illinois Ranks in Taxes," *USA Today*, May 14, 1984; and G. Alfred Hess, testimony to U.S. Senate Education Subcommittee, Oct. 4, 1993 excerpted in Coalition for Educational Rights, "Fair Funding for School Kids" folder 23, box 47, Civic Federation Papers.

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exclusivity. Residents voted in high tax rates on an affluent tax base, which generated per-pupil spending that outpaced all others in the state for an enviable campus, elite and highly paid teachers, a rich and diverse curriculum and extra-curriculum, and exceptional results.[62] When the Resource Multiplier formula was enacted, New Trier officials embraced it because of the considerable extra state funding it offered.[63] Like others, the district had been experiencing fiscal pressures in the early 1970s as local taxpayers, who had long approved virtually all tax and bond referendums, began to resist raising tax rates and the district's assessed valuation also did not keep up with rising costs. The Resource Equalizer guaranteed a tax base of $120,000 per pupil, which was higher than the district's $70,000 per pupil in assessed valuation and, consequently, the district traded significantly more state aid for lowering its local tax rate over time from $2.27 to the state maximum $1.05.[64] New Trier residents embraced a definition of equalization that seemed to ask nothing of them and even brought benefits.

What district officials did not anticipate, however, was that this tax limit would feel far more punishing than intended because of the state's failure to fully fund the formula and the reductions in the district's assessed property valuation. In 1974, the new legislative tax cuts—senior homestead exemptions and eliminating the personal property tax—reduced the district's valuation by $30 million. The same year the state Department of Local Government Affairs effectively cut state aid further when it reduced Cook County's multiplier from 1.59 to 1.48 (the amount that local assessment was "multiplied" to get it up to the state's equalized valuation). Ordinarily, a lower multiplier meant that local assessors had valued property closer to its market value and less adjustment was needed to even it out with other counties. However, state officials announced the reduced multiplier was for tax relief. Experts estimated that suburban Cook County schools stood to lose $13.7 million from the multiplier

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[62] Dan Morgan, "New Trier: The Most Elite School in US," *Boston Globe,* Nov. 16, 1980, 44; and William Cornog, "A Presentation of Reasons for a Tax-Rate Referendum for New Trier Township High Schools," Sept. 1967, folder 17, box 4, New Trier High School Board of Education Papers, New Trier High School Archive, Winnetka, IL (hereafter cited as NTHS BOE Papers).

[63] In the first few years, districts could choose whether to opt into the new formula or continue the old one.

[64] Wilmette League of Women Voters, "School Committee Report on the Wilmette District #39 School System," Nov. 1974, League of Women Voters of Wilmette Collection, box 11, folder 2, Wilmette Historical Museum, Wilmette, IL; and "How State Fiscal Moves Will Affect New Trier," *Report from Your New Trier Township High Schools Board of Education,* June 1974, folder 2, box 3, NTHS BOE Papers.

reduction, and New Trier officials estimated it would cost them $700,000 in lost revenue. The district joined with other elite suburban districts to sue the state, arguing the department had overstepped its authority by manipulating the multiplier for tax relief purposes. While it won the case, relief proved elusive. The court refused to order retroactive relief, and the legislature rendered future relief moot by slashing the state's equalized assessed valuation ratio even further, from 50 percent to 33 percent, which meant that taxes would be applied to only one-third, rather than one-half, the true value of property.[65]

In addition to state manipulation of the tax base, the Cook County assessor also worked to provide tax relief in ways that significantly impacted New Trier. The county's property was classified into five categories with different assessment ratios applied to each. In an effort to provide tax relief to single-family homeowners, the county assessor cut their assessment ratio from 22 percent to 16 percent.[66] While many welcomed the proposals, others shared the skepticism of the *Chicago Tribune* that "there is no such thing as a free lunch. The burden will shift to others," in this case businesses and multifamily properties.[67] In New Trier and other North Shore communities, single-family homeowners made up the overwhelming majority of the tax base, and thus the shift meant a reduction in their assessed valuation, even as things evened out overall at the county level. In a sentiment New Trier officials shared, the business manager of neighboring Evanston bemoaned that "this is the final bomb; it will do us in."[68] As a result

[65] "Special Report on Finances: Past…Present…Future," *The Board Report,* Sept. 1982, folder 4, box 3, NTHS BOE Papers; Thomas J. Moore, "State to Order Assessments Cut," *Chicago Sun-Times*, May 9, 1974, 4; Mitchell Locin, "Schools to Lose in New Tax Plan," *Chicago Tribune,* May 15, 1974, 3; Charles Wheeler III, "How 'Multiplier' Multiplies School Woes," *Chicago Sun-Times*, May 26, 1974, 5; Phillip J. O'Connor, "New Trier High Schools to Post $1.8 Million Deficit," *Chicago Daily News*, May 2, 1975; Minutes, Dec. 9, 1974, New Trier Township High School Board of Education, preliminary draft, folder 5, box 1, NTHS BOE Papers; and Neil Mehler, "Required Property Tax Valuation Cut by Senate," *Chicago Tribune*, Jan. 26, 1975, B20.

[66] "Preventing a Tax Shock…," *Chicago Daily News*, July 31, 1976; "Welcome Nudge on Taxes," *Chicago Sun-Times*, July 31, 1976, 27; Paul McGrath, "Tully Tries to Curb Soaring Home Taxes," *Chicago Sun-Times*, Aug. 22, 1976, 3; and Thomas Tully, news release, July 29, 1976, folder 1, box 151, Civic Federation Papers.

[67] "A Two-Part Proposal on Taxes," *Chicago Tribune*, July 31, 1976, S8; and Carolyn Toll, "Suburban High Schools Attack Tully Tax-Cut Plan," *Chicago Sun-Times*, Aug. 3, 1976.

[68] Diane Monk, "Suburban Schools Fear Tax 'Bomb'" *Chicago Daily News*, Aug. 2, 1976, 1.

of these various manipulations, assessed valuation for the purposes of taxation declined in New Trier during the 1970s, even as home values more than doubled.

New Trier and other districts in similar positions consequently found school costs rising but their tax bases and revenue declining. At first New Trier buffered it by using its considerable reserves to offset the revenue loss, however, it burned through its reserves quickly: the district went from a $5 million surplus in the early 1970s to over $640,000 in debt by early 1976, and projected a debt of nearly $2 million within a year. In 1975, the district made staff reductions—laying off forty-three teachers—and instituted program cuts that it explained were carefully chosen to "do the least amount of damage to the educational program as possible" and allow rebuilding when more funds became available. However, by September 1976 the board warned that the district would have to start eliminating whole programs in ways that couldn't be undone. It had already cut $600,000 in 1976 and was facing another $1.7 million in cuts in the coming year.[69] The superintendent warned that these cuts would "reduce a high-quality district to a better-than-average status, but nothing to write home about."[70]

New Trier residents were incensed that their model school district would be reduced to just better-than-average, and they took aim at the Resource Equalizer as the problem rather than state underfunding or tax base manipulations. Urging parents to lobby for removal of the rollback provision so that they could raise school taxes, the Board of Education argued the resource equalizer "*removes our ability to choose what kind of education our children will have* [emphasis in original]."[71] It complained that the Resource Equalizer "effectively *transfers to the State basic control of the level and quality of education for this district* without regard for the wishes of our citizens or their willingness to pay for quality education [emphasis in original]."[72] The way to pursue equal

[69]Minutes, Sept. 20, 1976, New Trier Township High School District Board of Education , preliminary draft, folder 7, box 1, NTHS BOE Papers; O'Connor, "New Trier High Schools to Post $1.8 Million Deficit;" "On the Problem of Maintaining Excellence in Education," *Report from Your New Trier Township High Schools Board of Education,* Jan. 1975, folder 1, box 3, NTHS BOE Papers; and Minutes, Sept. 9, 1974, New Trier High School District Board of Education, folder 5, box 1, NTHS BOE Papers.

[70]Gregg W. Downey, "How One of North America's Greatest Public High Schools Is Being 'Equalized' to Death," *American School Board Journal* 163, no. 8 (Aug. 1976), 36.

[71]"How State Fiscal Moves Will Affect New Trier," *Report from Your New Trier Township High School Board of Education,* June 1974, folder 2, box 3, NTHS BOE papers.

[72]New Trier Township High School Board of Education, New Trier East and West Parents Associations, and New Trier Township High Schools Education

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educational opportunity, the Board argued, was to lift up poor schools, not limit exceptional ones like New Trier.[73] The New Trier High School Parents Association agreed, calling on the state to improve education by "upgrading the substandard schools rather than by averaging both superior and substandard schools to a level below New Trier standards." It asserted its right to tax itself for school support without limit for "it is the prerogative of each community and school district, at the local level and under local control, to determine the degree of educational excellence to be offered to its youth and it should have "the right to generate the required revenue through location taxation."[74] The *Chicago Tribune* agreed it was unfair that residents were "denied the right to make their own schools even better" and warned that "as the New Triers are leveled towards mediocrity, private schools will gain in appeal."[75]

New Trier was far from becoming a mediocre school, but residents and those sympathetic to them rejected any limits on their ability to spend their own wealth on behalf of their children as an illegitimate restraint. Effectively asserting opportunity hoarding as their right, suburbanites argued they had purchased a "right" to superior schools when they bought their homes and it should entitle them to services at the level they desired. They centered their critiques on the Resource Equalizer formula's limits on local spending rather than the state and local political decisions that had underfunded and undermined the formula, and the suburbanites rejected the idea that they had any responsibility for education outside their local boundaries. Their claims did not go unchallenged. An article in *Chicago Reader* tried to refocus attention on the goals of equalization and the unfairness of inequality for a public service that should be available equally to all. While it evinced sympathy for residents' sense of loss, it nevertheless pointed out the ways that New Trier's advantages came at the expense of others. Was it fair, it asked, for New Trier to have class sizes of twenty while many other districts averaged forty? It noted the

Association, "HELP! Your High Schools Are in Trouble," Oct. 16, 1975, folder 2, box 3, NTHS BOE Papers.

[73]They lobbied parents to pressure state legislators. "Board Proposes Legislative Remedies," *Report from Your New Trier Township High Schools Board of Education,* April 1975, folder 2, box 3, NTHS BOE Papers; and "Your Schools Are Still in Trouble!" *Report from Your New Trier Township High Schools Board of Education,* Dec. 1975, folder 2, box 3, NTHS BOE papers.

[74]Parents Association Joint Legislative Committee Resolution, in Minutes, March 10, 1975, New Trier Township High School District Board of Education Meeting, preliminary draft, folder 6, box 1, NTHS BOE Papers, 6.

[75]"Declining Property Taxes," *Chicago Tribune,* July 23, 1975, A2; and "Leveling Down at New Trier," *Chicago Tribune*, Nov. 2, 1975, A4.

"disparities between the rich and poor just can't go on. It's an insult to education and the country. Sure the people in wealthy suburbs are going to be hurt. That is just the way things work out. We've been hurt by them for years."[76] It hinted at the ways that New Trier's opportunity hoarding of wealth and educational opportunities impacted others in the metropolitan area.

Nevertheless, faced with tales of woe in elite districts and relentless pressure from their wealthy residents—and unwilling to increase state spending on schooling—the legislature agreed to eliminate the rollback provision in late 1976. Voters in New Trier, Evanston, and other elite districts immediately voted substantial educational tax increases; in New Trier voters approved a \$.68 hike.[77] Wealthy, high-tax residential communities like New Trier were not the only ones hurt by state education cuts and manipulations of the tax base. Other districts, that might have otherwise fought eliminating the rollback acceded to it as part of a reform package around the law including Chicago which had a significant legislative bloc.

CPS initially benefited from the Resource Equalizer but was quickly plunged into fiscal chaos when reductions of assessed valuation and state aid lowered revenue. Newspapers described CPS's 1974 budget, the first after the Resource Equalizer, as a "dream" budget: no cuts and even modest increases for program improvements and educational enrichment, especially for economically disadvantaged students.[78] However, the good news did not last long. In May 1974 the reduction of the multiplier took \$35 million out of the CPS budget and the governor's cuts eliminated another \$22 million.[79] At the same time, escalating inflation and successful union pressure for teachers' raises, increased school costs. Superintendent Redmond balanced the budget with program cuts and layoffs, including hundreds of art, music, foreign language, and vocational education teachers, which effectively closed these programs in some schools.[80]

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[76]David Schonauer, "The Equalization: If We Can't Make All Illinois High Schools as Good as This One, Maybe We Can Make This One a Little Worse," *Chicago Reader*, May 27, 1977, 8.

[77]Ted Seals, "Suburban Voters OK School-Tax Hikes," *Chicago Sun-Times*, Dec. 5, 1976.

[78]"School Picture Brightens," *Chicago Daily News*, Nov. 30, 1973; and "A Hopeful School Budget," *Chicago Today*, Nov. 30, 1973.

[79]Mitchell Locin, "Schools to Lose in New Tax Plan," *Chicago Tribune*, May 15, 1974, 3; "Schools on Roller Coaster Again," *Chicago Tribune*, May 20, 1974, 20; Milton Hansen,"Fear Tax Cuts to Close Schools," *Chicago Today*, May 28, 1974; and John Camper, "Schools Here Face Cash Loss of Millions," *Chicago Daily News*, June 26, 1974.

[80]Thomas E. Sellers, "School Cutback Protests Grow!: Daley Perplexed by Slashes," *Chicago Daily News*, Oct. 3, 1974, 1.

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In fall 1975, faced with yet more state cuts to appropriations and the tax base as well as the reduced assessment ratio, newly appointed superintendent Joseph Hannon refused to grant teachers raises, sparking an eleven-day teachers' strike, while the mayor and governor traded insults about whose responsibility it was to aid CPS.[81] Hannon remained firm that the district could not afford the teachers' demands and Mayor Daley, as he had done in the past, intervened to facilitate a settlement but did not help the district solve the problem of how to pay for it. He did it by quite literally going behind the superintendent's back: Daley rented a suite in a downtown hotel a few floors from the ballroom where Hannon's official welcome party was being held in order to secretly lobby Board of Education members.[82] Against the superintendent's wishes, the Board agreed to a 7 percent pay raise, new health benefits, and class-size reductions that cost far more than the mayor estimated.[83] When the legislature did not override the governor's education reductions or provide additional state aid as Daley predicted, the district had to make deep cuts to balance the budget. Among its gambits to save money, the Board ended the school term sixteen days early and proportionally reduced teachers' pay. In addition to incensing teachers by negating their pay raise, the move violated the state's minimum standard for instructional days and incurred a $55 million penalty.[84] Legislators representing the city agreed to the changes to the Resource Equalizer eliminating the rollback in exchange for a significant reduction of the fine.[85]

The removal of the rollback significantly weakened the fiscal neutrality effects of the law, since local wealth could now be used to purchase better schools. Another set of changes to the law a few years later helped further erode its equalization features—reducing the amount

[81] "Walker Cuts Education," *Chicago Sun-Times*, July 11, 1975; "More Politics in Schools," *Chicago Daily News*, Aug. 29, 1975; Charles Mount and Casey Banas, "Walker Attacks Daley on Schools: Governor Blames Strike on Fiscal Irresponsibility," *Chicago Tribune*, Sept. 13, 1975, 1; and Casey Banas, "Hannon 'Won't Quit;' Warns of Deficit," *Chicago Tribune,* Sept. 19, 1975, 3.

[82] "How City Got Caught in Money Maze," *Chicago Tribune*, Sept. 20, 1981, A1.

[83] "The School Board Caves In," *Chicago Sun-Times,* Sept. 19, 1975, 63; Casey Banas, "Total Cost of School Pact for City: $75.3 Million," *Chicago Tribune*, Sept. 20, 1975, 4; "School Board Flubs Again," *Chicago Daily News,* Sept. 19, 1975; "'Funds We Do Not Have'," *Chicago Tribune*, Sept. 23, 1975, A2; and Andy Shaw, "Reveal Daley Pledged Cash to Aid Schools," *Chicago Sun-Times*, Sept. 25, 1975.

[84] Seth S. King, "Chicago Schools' Deficit to Force Early Closing," *New York Times*, May 30, 1976, 20; Casey Banas, "Classes End Today in City Schools' Bid to Cut Deficit," *Chicago Tribune*, June 3, 1976, 1; and "Schools Punished Enough," *Chicago Daily News*, June 24, 1976.

[85] John Elmer, "School Aid Bills Sent to Walker," *Chicago Tribune*, June 30, 1976, 3.

that local districts had to levy to capture state aid. This enabled wealthy districts to deploy less effort to gain a greater share of state funding at the expense of less affluent districts. This change came amid escalating calls for property tax relief in the state and especially after a firestorm of protest in Cook County over changes in the property assessment method. Ironically, these changes significantly improved the professionalism, efficacy, and fairness of tax assessment. After the scandals that rocked the Cook County Assessor's Office in the early 1970s, it hired consultants to reform the office, including professionalizing its methods and standards. This included a move to fair market valuation—or sale value—aided by computer models. The old method, based on replacement value minus depreciation, determined by the judgment of the individual assessor, was highly subjective.[86] Its design tended to result in overtaxing urban property in neighborhoods of declining value while undertaxing property in rising housing markets, especially the suburbs. This dynamic was further intensified by deliberate overassessment of properties in black and "blighted" neighborhoods by assessors who viewed them as burdens on public services.[87] Since one-quarter of Cook County was reassessed each year, the changes rolled out over time, hitting the affluent northern suburbs in 1977 and 1978. Combined with the inflationary housing market and higher school taxes they had just voted in, this resulted in an average 12–27 percent increase in property taxes, which was much higher for some individual homeowners.[88]

In August 1977, two hundred angry residents in Evanston met at the local public library and organized a chapter of National Taxpayers United of Illinois, announcing the start of a taxpayer revolt in suburban Chicago. Led by Federal Reserve Bank employee James Tobin, the group mobilized residents to reject local referendums and rein in

[86] Statement of Thomas M. Tully to Finance Committee of Cook County Board of Commissioners, March 13, 1972, folder 6, box 150, Civic Federation Papers; and Testimony of Anthony Downs Before the Cook County Board of Commissioners Concerning the Proper Method of Classifying Real Property for the Purposes of Tax Assessment, March 13, 1972, folder 6, box 150, Civic Federation Papers.

[87] Arthur D. Little, Inc., "A Study of Property Taxes and Urban Blight: Report to the U.S. Department of Housing and Urban Development," Jan. 1973, folder 5, box 151, Civic Federation Papers; and Andrew W. Kahrl, "The Short End of Both Sticks: Property Assessments and Black Taxpayer Disadvantage in Urban America," in *Shaped by the State: Toward a New Political History of the Twentieth Century*, ed. Brent Cebul, Lily Geismer, and Mason B. Williams (Chicago: University of Chicago Press, 2019), 189–217.

[88] Ed MacManus, "Tax Rebellion Is Spreading in North Suburbs," *Chicago Tribune*, Aug. 14, 1977, 1.

government spending.[89] Tobin was radically libertarian and rejected the idea of any taxation for public services, arguing people should pay privately for all services. One profile of Tobin explained: "Schools, in fact, are his No. 1 concern. He would like to see the entire public school system abolished and the country shift to a private system. He considers schools the single largest government boondoggle and thinks that in Illinois, as in most states, the teachers' lobby is the most powerful organization for promoting government spending." Tobin attracted to his cause a number of homeowners who didn't necessarily share his libertarian beliefs but who were frustrated by what they saw as high taxation and runaway government spending.[90]

Newspapers were fascinated by this "tax revolt" of the elite, characterizing them as "respectable, law-abiding members of the upper middle class" who were "average citizens stirred to action by the whopping tax bills."[91] Press coverage often included sympathetic stories of homeowners facing big tax increases or having to cut budgets to pay the increase and these accounts often uncritically replicated homeowners'narratives about how they were hardworking, deserving citizens being unfairly squeezed in order to fund profligate government spending.[92] The contrast they were drawing—implicitly most of the time but at times explicitly—was also a racialized one about deserving taxpayers and undeserving tax-eaters.[93] One "tax rebel" profiled, for example, argued that she was entitled to a "fair tax" because she had worked hard all her life and had "never been on welfare, or had food stamps."[94]

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[89]John Gorman, "Tax Foes Move to Ban Home Rule in 15 Suburbs," *Chicago Tribune*, Nov. 1, 1979, A1; and Rudolph Unger, "3 Suburbs Vote March 18 on Abolition of Home Rule," *Chicago Tribune*, Feb. 28, 1981, N1.

[90]William Robbins, "Taxpayer Revolt Gains in Chicago Suburbs," *New York Times,* Aug. 20, 1977, 8; and Brian J. Kelly, *Chicago Sun-Times,* "He Leads the Fight on Illinois' Taxes," July 2, 1978, 10.

[91]Ed McManus, "North Shore Protest: 'Strike Fever' Hits Taxpayers," *Chicago Tribune*, Aug. 7, 1977, 5.

[92]Michael Dixon and Steve Brown, "Tax Strike Words Louder than Action," *Chicago Daily News*, Aug. 9, 1977; Robbins, "Taxpayer Revolt Gains in Chicago Suburbs,"; William Claiborne, "Taxpayers' Revolt Jolts Affluent Chicago," *Washington Post,* Sept. 10, 1977, A3; and Clarence Page, "NW Townships Face Tax Boost: 500,000 Homes Are Revalued," *Chicago Tribune*, Aug. 21, 1977, 1.

[93]Camille Walsh describes this racialized language of taxpayer and tax-eater, and others have emphasized the way that race operated in California's Proposition 13 movement. Walsh, *Racial Taxation*, 109–31; and Daniel Martinez HoSang, *Racial Propositions: Ballot Initiatives and the Making of Postwar California* (Berkeley: University of California Press, 2010).

[94]Jack Mabley, "Homeowners Turn Militants on Taxes," *Chicago Tribune*, Aug. 11, 1977, 4.

In one uncharacteristically critical editorial, however, the *Chicago Tribune* described them as "tax rebels without a target" or a "plausible villain." While sympathetic to their financial pain, it noted that "North Shore homeowners have been getting a tax break for generations, and it has suddenly stopped. They are unlikely to get much support from other sections of the county whose residents have been taking up the slack."[95] This acknowledged in ways that policymakers and affluent homeowners rarely did that underassessment for some meant tax burdens were displaced to others. An estimated 1,500 taxpayers participated in the tax strike in the summer of 1977, but it fizzled in the fall as taxpayers confronted the possibility that their property could be seized for nonpayment of taxes.[96]

The revolt reignited and escalated the following year after a new set of property owners received their reassessments, with Proposition 13 in California providing a larger language and context for this fight. Sympathetic media coverage of the beleaguered wealthy taxpayer framed it as a national movement to limit government itself. One fawning *Chicago Tribune* article described Proposition 13 as "a Frank Capra movie" with the common people rising up against the greedy and noted that "now tax-cut fever is coming to Illinois."[97] The Cook County Board president predicted a national tax revolt was on the way: "This California thing is contagious. It's understandable. People are fed up with taxes."[98] Tobin's group sprang back into action, and other ad hoc grassroots tax groups formed to rail against government spending and waste. "The bureaucrats around here have been gorging themselves at the public trough for too long," argued one property owner, although he couldn't identify the "fat" in local budgets and said he didn't want teachers or sports programs cut, just "deadwood in the front office."[99]

Positioning themselves as victims, affluent homeowners protested against what they perceived to be the unfairness of taxation that captured the skyrocketing value of their homes and paid for their high-quality schools and local services. One longtime Evanston resident

[95] "Tax Rebels without a Target," *Chicago Tribune*, Aug. 8, 1977, C2.

[96] Michael Dixon, "Tax Revolt: Rebels Vow Not to Pay," *Chicago Daily News*, Aug. 4, 1977, 3.

[97] Jeff Lyon, "Tax Cut Fever Grows in Illinois in Wake of California Success," *Chicago Tribune*, June 15, 1978. 1.

[98] Bob Olmstead and Harry Golden Jr., "Tax Grievances Here Called Less Than in California," *Chicago Sun-Times*, June 7, 1978, 10; and Karen Koshner, "Illinois Catching the Property Tax Fever," *Chicago Sun-Times*, June 11, 1978, 1.

[99] Ed McManus, "Tax Rebels' Cries Ring in Suburbs," *Chicago Tribune*, June 4, 1978, 22; and John McCarron, "Proposition 13 Fever Spreads to Chicago Area," *Chicago Tribune*, June 15, 1978, sec. 7, 1.

complained that his home value was now "six to eight times what I paid for it," but it was "paper profit." A suburban business executive who had recently relocated from Cleveland reported that taxes had forced him to make lifestyle changes: "I haven't seen a movie since I've been here. In Cleveland, I belonged to three tennis clubs. I haven't been playing much tennis here."[100] Their complaints failed to acknowledge the way that they had been systematically undertaxed for a generation, or that they had voted for higher taxes to ensure their schools remained the most exclusive in the state. While their rising home values might feel like imaginary money, it was not: when they sold their homes, whether in five years or fifty, they would materially benefit from these rising values, which were due in no small part to the expensive public services they fought to hoard within boundaries they had zoned to be racially and economically exclusive. It also corrected a generation of underassessment in wealthy communities that had resulted in city taxpayers, especially those in economically declining neighborhoods and communities, bearing a disproportionate burden.

The taxpayer frustration, exacerbated by record high inflation at the end of the 1970s, was not limited to metropolitan Chicago. A NBC news poll in November 1978 found that roughly half of Illinois votersfavored a one-third cut in local, state, and federal taxes even if it meant "the things they like most… would have to be cut substantially."[101] In this context, Illinois politicians at all levels competed for who could offer the best tax relief proposals. Echoing discussions of the early 1970s, some called for greater state support of education and improvements in assessment. However, this time, voices calling for limits and cuts on government spending dominated the discussion.[102] Republican governor James Thompson made fiscal responsibility, including scaling back social programs, a major feature of his long tenure as governor in the late 1970s and 1980s. He criticized local governments for their "uncontrolled appetite for cash and inability to keep government within bounds" and pledged that he would not stand by "while the people's wealth is stolen away by local units of government that refuse to keep their spending in balance with their

[100] M. W. Newman, "Property Taxes: Pain Gets Worse," *Chicago Sun-Times*, June 10, 1978, 4.

[101] Jerome Watson, "Illinois Voters Favor Huge Tax Cuts: Poll," *Chicago Sun-Times,* Nov. 25, 1978; and Dan Miller, "Proposition 13 Would Win Big in Illinois," *Crain's Chicago Business,* June 12, 1978.

[102] "Tax Relief Becomes Issue in Illinois Race," *New York Times,* June 30, 1978, A9; "Tax Relief a la Thompson," *Chicago Tribune*, Aug. 5, 1978, 8; "Property Tax Relief," *Chicago Sun-Times*, Aug. 5, 1978, 27; and John D. Moorhead, "Illinois Gubernatorial Race Centers on Property Tax," *Christian Science Monitor,* July 21, 1978, 6.

people's ability to pay."[103] In the next few years, he led a series of state-mandated tax relief measures, including new business tax cuts and incentives, which cut far more deeply into the tax base and social programs than earlier efforts had done, telling citizens to expect less from government. These policy decisions and politics created further fiscal challenges for schools into the 1980s and deepened geographic inequality in education, while perpetuating a narrative about the economic need for fiscal austerity. The decline of meaningful equalization ensured that affluent communities could continue to channel their local wealth into exclusive public amenities while consigning economically struggling ones to fall further behind.

In this anti-tax context, lawmakers looked anew at the Resource Equalizer formula and determined that its incentive structure was part of the problem: in tying state aid to local effort it was incentivizing higher local taxes. In the context of tax relief calls, they changed the rules to enable districts to claim state aid with much less local effort. Since the state did not increase aid—and in fact began to shrink it even further—this had the effect of significantly shifting its allocation: affluent and middle-income districts got more, and poorer districts—including those with lower assessed valuation and higher numbers of economically disadvantaged students—lost out, including big cities like Chicago.[104] While local property tax relief had been an impetus for the formula, legislators now viewed it as in tension with it and ultimately the more pressing concern. The commitment to equalization had always been weak and uneven, with most Illinois policymakers and residents valuing local control and supportive only to the extent that equalization meant leveling up without those at the top giving up anything. The state's broken promises on funding and the uncertainty its actions produced led even those who didn't benefit from decentralized funding to be wary of the state as a solution. In the 1980s, as tax relief and government austerity became an increasing orthodoxy at all levels of government, it would spell the end of fiscal equalization as a serious policy discussion. It helped to shift the emphasis of school reform to its quality, largely divorced from considerations of funding, state responsibility, and structural inequality, further deepening spatial, socioeconomic and racial inequality.

[103] "Putting Government on Parole," *Chicago Tribune*, Jan. 28, 1979, A6; and Daniel Egler and Mitchell Locin, "Curb Property Taxes Now, Thompson Demands," *Chicago Tribune*, Jan. 10, 1980, 3.

[104] "Issues in Illinois School Finance—Timeline," folder 12, box 47, Civic Federation Papers.

Conclusion

Property tax politics played an important part in mobilizing support for school finance reform in Illinois and ultimately unraveled support for it, gutting the Resource Equalizer formula that had aimed to increase state responsibility and reduce the inequalities generated by local wealth in school funding. It did not start in 1978 with Proposition 13 but had been a significant issue in Illinois for a decade. Taxpayers in Illinois throughout the 1970s expressed frustration with what they viewed as a heavy property tax burden, as soaring costs, inflation, and rising expectations increased the revenue needs of schools and governments at the same time that state government continued to push costs to localities with unequal abilities to shoulder them. They looked to state aid for the solution, and when that proved unreliable, pushed for more authority to raise money locally. Spending that outpaced revenue fueled rises in local property taxes and a narrative of fiscal crisis and unsustainable tax increases. However, some observers at the time pointed out that there was no real evidence that taxes in Illinois were too high; the state ranked solidly in the middle in terms of absolute tax burden and on the lower end when considered in relation to ability to pay. Illinois was a relatively wealthy state and its fiscal crisis was in an important sense politically—not just or even primarily economically—constructed. It was shaped by state legislators' refusal to fully utilize other sources of revenue to support schools, which pushed greater burdens to local government. It was also brought about by deep inequities in property tax burdens, including systematic underassessment of much suburban homeowner property wealth and a system that allowed and encouraged homeowners to unapologetically hoard tax resources and public goods.

In a host of ways, school finance is a deeply political set of policy choices that are made, remade, and naturalized over time. The Resource Equalizer formula and its method of distributing school funds is the most obvious, and this story has shown how legislative changes shifted who benefited and how effective the formula was at reducing inequalities in school revenue wrought by the unequal distribution of wealth. This story has also shown that the politics of school finance go far beyond this distribution of state aid but is deeply embedded in the policies and practices of taxation, especially property assessment. Taxation involves a number of discrete policy decisions about what to value and how and where to apportion responsibility. The decision to locate business property wealth in a single physical location for tax purposes, for example, helped produce predictable inequities within the state and the Chicago metropolitan area that were barriers to reform. The long-standing use of replacement value in assessing property allowed generations of suburbanites in rising property markets to escape most taxation on their growing investments. The political nature of seemingly neutral economic choices became even more apparent in the moments when the legislature, governor, state administrative agencies, and county assessor manipulated the tax base and tried to shift and hide some of the burdens.

The Resource Equalizer story also highlights ways in which the inequality of the school financing system helped to structure politics around schooling: wealthy districts benefited from generations of tax benefits and from being able to monopolize their wealth for their own benefit for an important public service and state responsibility. Over time they built a politics and ideology that defended those privileges as rights, which they asserted and reified when their schools were threatened with revenue cuts from the Resource Equalizer formula. In New Trier, for example, state and local government manipulation of the tax base hurt school budgets and prompted residents there to mobilize politically to reassert their "right" to use their wealth to support their schools and undercut the equity goals of the rollback provision. When changes in assessment practice actually improved the professionalism, fairness, and transparency of property assessment, these same parents mobilized in protest, since it undercut decades of preferential tax policies that had allowed them to benefit from the rising value of their homes without paying considerable tax for it.

Thus our explanations of school finance need to be attentive to the politics in practice, including the taken-for-granted legal and policy choices that govern both taxation and its distribution. School finance is a system of rules that reflect political choices, often hidden, that distribute costs and benefits and that advantage some groups and places over others. It is where structural inequality is made, remade, defended, and hidden. While our narratives of resistance to equity in the 1970s often highlight high-profile conflicts, such as white parents in Boston fighting against school desegregation, much of the resistance and inequity was enacted in quiet, quotidian practices and policies, including the way that property was valued, taxes levied and collected, and school finance administered.