

A Comparative Approach to Understanding the Reasons for and Consequences of Municipal Discretion

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Abstract

In this study, the author tests why some states grant more municipal discretion than do other states and whether municipal discretion/home rule makes a difference. The author finds that U.S. states grant municipalities less discretion when state aid per capita increases. There is also empirical warrant that aggregate municipal property taxes per capita, expenditures per capita, and employees per 1,000 in population decline as states grant more municipal discretion and that home rule municipalities have a lower property tax levy per capita and fewer employees per 1,000 in population than do non-home rule municipalities.

This national study demonstrates that state restrictions of municipal discretionary authority are not necessary because municipal officials can be trusted to act in a fiscally responsible and responsive manner. Ergo, states should grant local governments broad discretionary authority and home rule status.

In this paper the author answers two questions that Dale Krane, Platon Rigos, and Melvin Hill Jr. (2001) pose: 1) Why do some states grant more municipal discretion than do other states and, 2) Does municipal discretion/home rule make a difference? To answer the first question, the author compares and contrasts the factors that influence state government officials to permit or prohibit municipal discretion across 49 states To answer the second question, the author examines whether home rule municipalities and municipalities in states that permit more expansive municipal discretion have different fiscal and personnel outcomes than do non home rule municipalities and municipalities in states that do not permit expansive municipal discretion.

Literature Review

Home rule, or “municipal independence” as de Toqueville called it (Krane, Rigos, and Hill Jr., 2001, ix), that emerged during the Progressive Era in the late 1800s “referred to proposals to amend state constitutions or pass state laws that would increase the power of local governments and decrease the power of state legislators over local governments” (ix). Krane, Rigos, and Hill Jr. (2001) take the position that:

Passage of any statute of constitutional provision that enhances the authority and opportunities for a local jurisdiction to control its own affairs can be considered as an effort to grant an additional degree of ‘home rule’ (ix)... The ideal of home rule is defined as the ability of a local government to act and make policy in all areas that have not been designated to be of statewide interest through general law, state constitutional provisions, or initiatives and referenda (2)... Under the hypothesis that local governments are closer to the people and enjoy support of local citizens, one would postulate that local governments, to be effective as well as democratic, ought to possess a broad range of discretionary authority (2).

“The most desirable degree to which political power should be decentralized by a state government to local governments has been a source of major controversy since the end of the revolutionary War” (Zimmerman, 1995, 17). Historically local governments have been subject to

the Ultra Vires Rule (also known as Dillon's Rule)¹, providing for a narrow interpretation of the powers of local governments and makes explicit that that a local government may engage only in an activity specifically sanctioned by a superior government (Zimmerman, 1995). However, Jesse J. Richardson Jr., Meghan Zimmerman Gough, and Robert Puentes (2003) argue that the extent of local government autonomy depends not so much upon whether a state court employs or does not employ Dillon's Rule, but rather on the propensity of the state legislature to endow local governments with autonomy" (25). Local governments in a Dillon's Rule state may possess relatively broad discretionary powers because the state chooses not to control its political subdivisions too closely or due to the power of local governments in a particular state (Zimmerman, 1995, 21); however, Barron (2003) argues that courts can also apply Dillon's Rule in many states that have some form of official home rule.

States have used Imperium in Imperio and devolution of powers to grant reasonably broad discretionary authority to local governments. Imperium in Imperio, a type of dual federalism, grants exclusive authority in certain areas to local governments; however, such enumerated local powers can only be changed by a state constitutional amendment, which can be difficult, and courts typically rule in favor of the state legislature when there is a conflict between the state and the municipality (Zimmerman, 1995).

To overcome the ineffectiveness of the Imperium in Imperio process, in 1952 the American Municipal Association engaged Dean Fordham to develop another state-local relations model (30). Under the Fordham Plan, or devolution of powers, a local government is free to initiate action authorized by the state constitutional grant of power unless the legislature adopts a general law preempting specific powers. Devolution of powers represents a partial restoration of

¹ Dillon's Rule is attributed to Judge John Dillon of Iowa who issued two decisions in 1868 narrowly construing the powers of municipal corporations. In 1903 the U.S. Supreme Court upheld Dillon's Rule in 1903 and again in 1923.

state legislature prerogatives since the legislature, rather than the courts, can draw the dividing line between state and local powers (30). “Even in these [devolution of powers] states, however, courts have tended to interpret the law to limit municipal action to what the courts define as the sphere of local affairs (Clark, 1985, found in Berman, 2007, 47), and they [courts] often overturn municipal ordinances on the grounds that such ordinances relate to a statewide rather than a local matter” (Berman, 2007, 47).

Local government officials and reformers who are proponents of a broad grant of discretionary authority by the state to local governments advance seven major arguments: 1) Citizens’ interests will be promoted, 2) Civic education will be advanced because local officials and citizens will need to study issues before decisions are made, 3) the most expeditious solutions to problems will be found because local officials and citizens have the most familiarity and knowledge of local problems, 4) local government experimentation will be encouraged, 5) in a period of resource scarcity the most effective and efficient allocation of funds to higher priority needs will be ensured, 6) Political alienation of local officials and citizens will be reduced, and 7) state officials will have more time to focus on state-wide issues (Zimmerman, 1995, 25).

However, opponents argue that local officials in municipalities with a broad grant of discretionary authority from the state will not serve the public interest by acting in an arbitrary and capricious manner by favoring political friends and disfavoring political enemies when it comes to public policy and budgetary decisions, and that local citizens whose preferences are not met or served by the local government will increase their appeals to the state government (Martin, 1990). “This attitude has its roots in the era of municipal corruption in the last decade of the nineteenth century, chronicled by Lincoln Stephens in his classic *The Shame of the Cities*, and attacked by the municipal reform movement of the last [19th] century launched by Richard S.

Childs and the National Municipal League” (Banovetz, 2002). Despite the fact that the progressive reform movement cleaned most corruption out of city government, popular support persists for constraints on the powers of local government such as the judicial standard of strict constructionism, statutory limits on taxing powers, and tax caps (Banovetz, 2002).

Because the 50 states vary in their cultural, economic, historic, political and social characteristics, it is not surprising states also vary in the way they control local government (Krane, Rigos, and Hill Jr., 2001, x). Some state governments grant local governments little local control whereas other state governments have granted local governments broad authority to make policy decisions. On the one hand, local officials can be adept and creative at circumventing or maneuvering around formal state restrictions to achieve their municipal interests (Sbragia, 1996). On the other hand, local officials in states granting broad discretion may not use such authority because the amount of discretionary authority may not be expressed in explicit terms, local governments may lack the required finances to carry out their powers, court decisions restricting the sovereign immunity of local governments and increasing liability of local officials for their official actions may have discouraged the exercise of local discretionary authority, and local officials may choose not to exercise their powers for whatever other reason (Zimmerman, 1995, 37). Consequently, it is desirable for scholars to examine the gap between potential (formal) and actual use of local government discretionary authority.

E. Blain Liner (1989) observes that complexity is involved when examining state-local distribution of power in America. Consequently, any classification schema that attempts to accurately measure the degree of municipal discretionary authority vis-à-vis the state government must include a multiplicity of dimensions (Liner, 1989). In 1979 and 1980 Joseph Zimmerman (1995) was commissioned by the U.S. Advisory Commission on Intergovernmental

Relations (ACIR) to develop an index quantifying local municipal discretionary authority in each state that could be made readily available to citizens and local, state, and federal officials.

(Zimmerman, 1983,1995) scored the discretionary authority of general-purpose local governments in each state in four areas—structure, functions, personnel, and fiscal policy—based on an examination of legal materials and a mail survey of state officials, executives of local government associations, and experts on state-local relations (ACIR, 1981, 2). Zimmerman then rank ordered each state in each area presumably by the degree of local discretion in changing organizational structure without additional grants of authority from the state; adding to, deleting, or altering functions; making personnel decisions; and levying and raising taxes (Berman and Martin, 1988). The 10 states granting the most municipal discretion (starting with the highest) in 1980 were Texas, Maine, Michigan, Connecticut, North Carolina, Oregon, Maryland, Missouri, Virginia, and Illinois. The 10 states granting the least municipal discretion (starting with the lowest) were New Mexico, Vermont, Idaho, West Virginia, Nevada, New York, South Dakota, Rhode Island, Massachusetts, and Indiana. However, Zimmerman does not provide specific definitions of each area so it is not possible for scholars to know specifically how each area was operationalized and to replicate his study.

Despite considerable research by home-rule scholars, Krane, Rigos, and Hill Jr. (2001) state that available information about the types and scope of municipal discretionary authority remains woefully incomplete due in large part to a limited definition of home rule as charter writing authority and use of legal documents (17). As such, Krane, Rigos, and Hill Jr. (2001) edited a book in which 50 scholars systematically reported common characteristics and practices that provide a more complete picture about potential and actual discretionary authority available to local governments in the 50 states. To determine whether the legal definition of home rule in

each state is congruent with actual state-local practice, the scholars of the 50 state chapters conducted original research using sources beyond the usual legal documents such as interviews with state and local officials, government reports and academic studies, municipal association magazines and newsletters, and the expert opinion of knowledgeable observers (17). The common characteristics and practices examined by the 50 scholars included the following: 1) home rule enabling authority (constitutional or statutory); 2) whether a broad (liberal) or limited interpretation of municipal discretion (home rule) is used in each state; 3) structural characteristics such as whether local or special privilege legislation and/or classification of cities is permitted or prohibited by the state, incorporation requirements and degree of difficulty of municipal incorporation, the number of annexation methods used in each state, annexation requirements by degree of difficulty in each state, and municipal extraterritorial jurisdiction in each state; 4) functional characteristics such as the scope of municipal services (up to nine different functions by category) permitted by each state, the scope of economic development authority (organizational, regulatory, and/or fiscal) available to local governments, and the forms (up to 23 different forms) of interlocal cooperation permitted by each state; and 5) fiscal characteristics such as whether the state mandates a municipal balanced budget, whether the state has established bankruptcy proceedings for municipalities, whether the state authorizes municipalities to diversify their revenue sources and municipalities have used such authority, and the state limitations on the issuance of municipal debt. To this author's knowledge, the Krane, Rigos, and Hill Jr. comparative state data on municipal discretionary authority is the most recent and comprehensive data available for scholars to operationalize and develop a state-by-state index of municipal discretionary authority that can be used to answer the two research questions posed in this paper.

How do scholars answer the question as to why some states permit more municipal discretion than do other states? David R. Berman and Lawrence Martin (1988) indicate the literature offers four explanations: 1) general period effects manifested in legal documents such as the state constitution (Strum, 1982; found in Berman and Martin, 1988), 2) cultural influences particular to specific regions or states that favor centralization or decentralization (Elazar, 1972, found in Berman and Martin, 1988), 3) demographic factors such as population, urbanization (density), income, and education (Stephens, 1974; found in Berman and Martin, 1988) that are surrogate measures for increasing political demands for separation into autonomous units, and 4) variations on the technical ability of state governments to control local government units due to growing urbanization and population diversity, government fragmentation, and land area.

Joseph F. Zimmerman (1983, 1995) claims there are eight overlapping factors that influence the amount of discretionary authority possessed by local governments within a given state: 1) political culture, 2) whether a constitution is easy or difficult to amend, 3) the length of the legislative session, 4) the number of local units in the state, 5) the relative political strength of associations of local officials and public service unions, 6) the administrative resources of the state dedicated to supervising local government, 7) the attitude of the judiciary in terms of narrowly or broadly interpreting local government powers, and 8) population growth.

Berman and Martin (1988) calculated simple correlations between the scores for each of Joseph F. Zimmerman's (1983, 1995) four types of local government discretionary authority across the 50 states and explanatory variables used by scholars. Berman and Martin found that city structural discretion is influenced by political culture and demographics such as urbanization, income, and education; city functional discretion is influenced by the year the Constitution was approved, culture, and the number of municipal governments in the state; city

finance discretion is influenced by the year the constitution was approved, culture, land area, and population; and city personnel discretion was influenced by the year the Constitution was approved and the number of municipal governments in the state.

According to Daniel Elazar (1994), political culture shapes the operations of the national, state and local political systems by molding perceptions of the political community (citizens, politicians, and public officials) as to the nature and purposes of politics and the expectations of government; influencing the recruitment of specific kinds of people to become active in government; and directing the way in which the art of government is practiced by citizens, politicians, and public officials in light of their perceptions (219). Elazar (1994) states that American culture can be broken down to three dominant political sub-cultures— traditional, individualistic, and moralistic. According to Elazar, the traditionalistic political culture is rooted in “an ambivalent attitude toward the marketplace coupled with a paternalistic and elitist conception of the commonwealth” (235). The traditionalist political culture accepts a hierarchical society and accepts government as an actor with a positive role in the community but only in the sense of preserving the established social order. Traditional political leaders tend to be anti-bureaucratic and play conservative and custodial rather than initiatory roles unless they are pressed strongly from the outside. Hence, in a traditional political culture one would expect to find a hierarchical relationship between the state and municipalities dominated by centralized state control particularly when the interest of the governing elite is involved when enforcing or perpetuating the traditional order.

According to Elazar, traditional and dominant traditional political cultures can be found in 16 states throughout the south and southeast regions of the United States (Texas, Oklahoma,

West Virginia, Kentucky, Florida, New Mexico, Alabama, Georgia, Arkansas, Louisiana, Virginia, South Carolina, Mississippi, Tennessee, Arizona, and North Carolina).

Individualistic sub-culture emphasizes the conception of the democratic order as a marketplace, and an overriding commitment to ethnic, social, and religious pluralism (230, 232). Furthermore, government need not have any direct concern with questions of the “good society” (230). The individualistic culture places a premium on limiting government intervention to the minimum degree necessary to keep the marketplace in proper working order. Government action is restricted primarily to the economic arena that encourages private initiative. Politicians are interested in office as a means of controlling the distribution of favors or rewards of government rather than exercising power for policymaking or programmatic ends. Although bureaucracy is deemed to be necessary to enhance efficiency, the primary emphasis is on the political environment. Public officials in individualistic cultures are normally not willing to initiate new programs or open up new areas of governmental activity unless there is an overwhelming demand from the citizens. Hence, in an individualistic political culture one would expect to find that the state and municipal elected officials will push for more or less municipal discretion depending upon the will of the private sector and citizens.

Individualistic and dominant individual political cultures can be found in the 17 states located primarily in the east north central region, Mid-Atlantic region, and the two non-contiguous states of the U.S. (Connecticut, Massachusetts, Rhode Island, New York, Pennsylvania, Nebraska, Wyoming, Illinois, Indiana, Ohio, New Jersey, Delaware, Maryland, Missouri, Indiana, Alaska, and Hawaii).

“The moralistic political culture emphasizes the commonwealth conception as the basis of democratic government.... Politics, to this culture, is considered ... the search for the good

society” (232). The moralistic culture strives to advance the public good. In the moralistic sub-culture, politicians exercise power to promote the public interest and achieve good government. Government intervention in the private sector is permissible to enhance the public welfare. Government is considered to be a positive instrument with a responsibility to promote the general welfare. Accordingly, issues, rather than favors or rewards, have an important place in this culture. Public officials are inclined to initiate new government activities in order to solve problems that affect citizens. Neutral administrative systems are consistent with the moralist culture. Hence, moralistic cultures are more likely than traditional or individualistic political cultures to use government as a vehicle to promote social and economic regulation if believed in the public interest. Consequently, one would envision that in a moralistic political culture the state government officials (elected and professional) would not hesitate to reduce the discretion of municipalities if thought to be in the public interest; nor would it be unusual for municipal public officials (elected and professional) to push for greater discretion vis-à-vis the state to pursue the municipal public interest.

Moralistic dominant moralistic political cultures are evident in the 17 states located in many of the continental western states (California, Oregon, Washington, Colorado, Idaho, Utah, Montana, North and South Dakota), part of the West North Central (Kansas, Iowa, Minnesota, Wisconsin, and Michigan), and parts of the Northeast (Vermont, Maine, and New Hampshire).

Does the scope of municipal discretion/home rule make a difference? James Banovetz and R. Albritton (found in Banovetz and Kelty, 1987) and James Banovetz (2002) examined the popular notion that elected officials at the local level cannot be trusted with broad powers of taxation by studying the use of tax powers by Illinois local officials in all Illinois home rule and non-home rule municipalities the first 10 years of home rule (1971-1981) and over a 30-year

period (1970-2000) respectively. According to Banovetz, the evidence from both studies refutes the hypothesis that, given sufficient discretion, local government officials will impose unwarranted property taxation on their residents. The Banovetz and Albritton study found that when controlling for population size and geographic location, there was no difference in the average property tax levy for home rule and non-home rule municipalities in Illinois. In the second study, Banovetz (2002) provides evidence that 1) few home rule communities use their home rule powers to levy higher property taxes or levy sales tax to the statutory limit for home rule cities, 2) the legislature and the courts have not felt the need to restrict or constrain the use of home rule powers because they have not found significant patterns of misuse or excessive use, 3) Illinois voters have chosen to retain home rule in 25 out of 29 elections (86 percent) by an average margin of 3-2, 4) and there have only been seven examples of unwarranted use of home rule powers during Illinois's 30 year experience with very broad grants of taxing power—only three of which resulted the voiding of home rule powers by the voters, courts, or the legislature.

Another Illinois longitudinal statistical study conducted by Richard F. Dye and Therese J. McGuire (1997) supports the Banovetz and Albritton finding there is no difference between home rule and non-home cities regarding the amount of property taxes levied by municipalities in Illinois. Dye and McGuire compared the growth of property tax revenues and property tax revenues per capita from 1987- 1993 in 104 non-home rule municipalities (Coded 0) in the five Chicago collar counties subject to a 1991 property tax cap² to the 74 home rule municipalities not subject to the property tax cap (Coded 1) located in the collar counties and suburban Cook county. Although the sign was negative, indicating that the growth in property taxes and property

² The fiscal 1991 property tax cap for non-home rule jurisdictions in the five metropolitan counties surrounding Cook county (collar counties) was set at the lesser of the rate of inflation as measured by changes in the Consumer Price Index, or 5 percent. Exemptions included general obligation bonds issued prior to October 1991, new property each year, and special referenda when voters approve increases over the cap (Dye and McGuire, 1997).

taxes per capita was less in home-rule communities, there was no statistical difference between home rule and non-home rule municipalities.

Dye and McGuire conclude “It is noteworthy, given that home rule municipalities [in Illinois] have a wider array of revenue sources available to them than non-home rule municipalities, that the home rule variable in the regression for municipalities has little effect” (481), leaving open the possibility that home rule communities may levy more total taxes than do non-home rule municipalities.

James Banovetz (2002) contends that the null results of the Dye and McGuire study show that Illinois municipal officials in home rule communities, with unlimited property taxing powers, do not abuse their authority by levying higher property taxes than non-home rule municipalities.

While the Banovetz/Albritton and Dye/McGuire studies treated the fiscal variables as the response (dependent) variables and home rule status as the explanatory (independent) variable, Judy A. Temple’s (1996) empirical model treated home rule status as the response variable and the fiscal variables as the explanatory variables. Temple (1996) tested a survival model that estimates how long between 1970 and 1990 non-home rule Illinois municipalities would choose state rule rather than home rule status. Explanatory variables used in the model were the level of heterogeneous preferences (variance in age and median household income), the existing level of property tax revenues per capita, the growth in property tax revenues, property taxes per capita, whether or not the municipality has the council-manager form of government, and whether or not local elections are at-large.

In the sample of 287 Illinois municipalities, 23 or eight percent became home rule during the 20-year sample period. Temple found empirical support for an inverse statistical relationship

between property tax growth controlling for population and the likelihood of retaining state controls ($P = .02$). She explains “It appears that the rapid increases in property tax burdens per capita led residents to vote to adopt home rule status as a means of broadening the local tax base and potentially obtaining property tax relief” (1011-1012). The Temple finding that residents in rising property tax communities are more likely to choose municipal discretion rather than retain state fiscal controls is inconsistent with what Ladd (1978) and Skidmore and Alm (1995) reported, using state level data.

Temple also found that residents in home rule and non-home rule communities were as likely to retain non-home rule as choose home rule regardless of the amount of property taxes levied per capita. This finding contradicts the Skidmore and Alm (1995) results there is an inverse relationship between the two variables.

The Temple model also predicted that residents in municipalities with greater variance in age ($P = .05$), less median household income ($P = .06$), and a mayor-council form of government ($P = .10$) were more likely to retain non-home rule status (state-imposed limitations) than choose home rule. There was also no statistical significance between the likelihood of retaining non-home rule status and income variation within the community, population, or at-large council elections.

According to Temple, the results demonstrate that the elimination of state controls was not an attractive option for a vast majority of the Illinois non-home rule municipalities; however, a majority of the voters in 23 villages and municipalities went against the tax limitation trend in the 1970s and 1980s by removing existing state-imposed limits on the actions of municipal and village officials. Her study, however, did not assess whether the 23 municipalities that became home rule resulted in broadening the tax base and property tax relief for residents.

Richard A. Eribes and John S. Hall (1981) focused their attention to the direct consequences of tax and expenditure limitations by selecting sites in three of the 12 states that appeared to respond to the taxpayer's revolt in 1977—Idaho, Oregon, and Arizona. Eribes and Hall selected Phoenix (Arizona), Boise (Idaho), and Portland (Oregon) and their respective county governments for an interrupted time-series, quasi-experimental design to determine the direct consequences of fiscal controls at the local level. Specifically, Eribes and Hall asked the following question: Did the pressures that led to consideration or enactment of new fiscal controls in and of themselves make a significant difference in local government budgets and functions (116-117). Portland/Multnomah County served as the control group because voters had rejected a limitation of any type. However, the two experimental cases, Phoenix/Maricopa County and Boise/Ada County, were constrained by a spending limitation and a limitation on taxes respectively. They hypothesized that in the two experimental cities/counties 1) taxes in general would decrease, 2) Spending overall would show a decrease, and 3) social services would realize the greatest decreases in spending.

Eribes and Hall found that “with little qualification, governments continued to grow at the same rates throughout the decade of the 1970s. These governments continued their pre-established spending routes regardless of the type of formal limitation considered or adopted.... In only one of the six local government jurisdictions [experimental Phoenix/Maricopa County with spending limitations] did the prime target of tax revolt sentiment—the property tax—shift [downward] in a response consistent with apparent taxpayer expectation” (120). Nor was there increasing reliance by local governments on intergovernmental revenues due to the consideration or adoption of tax and spend limitations. These results demonstrate to the author that limiting

local government discretion is neither effective nor necessary—at least in the six observed city and county governments in Arizona, Idaho, and Oregon.

Research Methods

To answer the first question as to why do some states grant more municipal discretion than other states, I test five multivariate regression models, using state-level data, to predict the statistical relationship between the municipal discretion score (dependent or response variable) for each of the 49 states and five socio-economic variables (independent or explanatory variables). The state-level socio-economic independent variable in each model is as follows: 1) urbanization (Gaquin, 2004), operationalized as the 2000 population density (persons per square kilometer in 2000); 2) percent of individuals below the poverty level (U.S. Census Bureau, 2000); 3) 1999 per capita income (U.S. Census Bureau, 2000); 4) percent of population with a college degree (U.S. Census Bureau, 2000); and 5) the percent of non-white population in 2000 (U.S. Census Bureau, 2000), a proxy for population heterogeneity. Political culture serves as the control variable using the Daniel Elazar's (1994) three-part typology: moralistic, individualistic, and traditional political cultures. States with traditional and moralistic political cultures as identified by Daniel Elazar serve as the two dummy variables, and states with individualistic political cultures serve as the baseline (benchmark). The state of Hawaii is not included in this study because Hawaii does not have municipal governments, only counties (Krane, Rigos, and Hill Jr., 2001).

To answer the first question I also test three additional OLS multivariate regression models, using aggregate municipal data in each state for cities over 25,000 population to determine the statistical relationship between the municipal discretion score (dependent or respondent variable) and the following independent (explanatory) variable in each model: 1)

aggregate 1999 municipal per capita income (Gaquin, 2004); 2) 2000 aggregate municipal state aid per capita (Gaquin, 2004); and 3) urbanization, operationalized as the aggregate municipal density (persons per square kilometer in 2000) in each state (Gaquin, 2004)—controlling for the political culture in each state (Elazar, 1994).

The municipal discretion score is a composite index developed by this author based on many of the factors used by Krane, Rigos, and Hill Jr. (2001) to better classify and understand the scope of municipal discretion permitted by each state. The municipal discretion index is divided into four components—definition of home rule, structural, functional, and fiscal—and each component consists of multiple characteristics (See Appendix 1). The author's municipal discretion score ranges from 1-50 for each state. The higher the score, the more municipal discretion permitted by the state.

To answer the second question whether municipal home rule makes a difference, the author tests four OLS regression models that determine whether the municipal discretion score (major explanatory variable) in each state is statistically related to four dependent (response) variables: the aggregate 2000 municipal property taxes per capita (Gaquin, 2004), aggregate 2000 municipal expenditures per capita (Gaquin, 2004), aggregate number of municipal employees per 1,000 persons in 2002 (Gaquin, 2004), and the aggregate 2000 outstanding municipal debt per capita (Gaquin, 2004) in each state—controlling for political culture in each state (Elazar, 1994).

To answer the second question, using the city as the unit of analysis, the author also tests four additional OLS regression models as to whether municipalities over 25,000 population in the 49 states with home rule status (coded 1 if charter, statutory, or constitutional home rule; otherwise, coded "0") levy more property taxes per capita in 2000 (Gaquin, 2004), spend more

per capita in 2000 (Gaquin, 2004), have more employees per 1,000 persons in 2002 (Gaquin, 2004), and have more outstanding debt per capita in 2000 (Gaquin, 2004) than do non-home rule municipalities, controlling for political culture (Elazar, 1994), municipal per capita income in 1999 (Gaquin, 2004), municipal population density in 2000 (Gaquin, 2004), and form of government (Coded “1” if council-manager and coded “0” for mayor-council form or all other forms of government such as town meeting, representative, or commission). The four dependent (explanatory) variables in each model are the three municipal fiscal outcomes and the municipal personnel outcome. The major explanatory (independent) variable is home rule status of a particular municipality. The home rule data comes from the 1995 National League of Cities (NLC) survey as well as information from ordinances and home rule charters for specific cities that did not respond to the 1995 NLC survey that were obtained by Dr. Kim Nelson, Assistant Professor at Northern Illinois University.

Hypotheses

Based on the literature (Berman and Martin, 1988; Zimmerman, 1983, 1995), my hypotheses are as follows: the scope of municipal discretion permitted by the state will be positively correlated with urbanization (H1); education level (H2); per capita income (H3); non-white population (H4); and negatively related to the percent of persons below the poverty line (H5)—controlling for political culture.

Using aggregate municipal data for cities over 25,000 persons in each state, I predict a positive statistical relationship between the scope of municipal discretion by the state and aggregate municipal per capita income (H6) and aggregate municipal density (H7)—controlling for political culture. I also predict a negative statistical relationship between the scope of municipal discretion permitted by the state and aggregate 2000 municipal state aid per capita

(H8)—controlling for political culture—because it is my contention that state officials in states that permit more municipal discretion will expect municipal officials to rely on a myriad of own-source revenues and non-state aid to fund municipal operations and services.

The empirical evidence that municipal officials do not abuse their discretionary/home rule powers and the possibility that home rule municipalities have the authority to broaden the tax base through non-property home rule taxes leads the author to predict there will be a negative statistical relationship between the municipal discretion score and the aggregate 2000 municipal property taxes per capita (H9), aggregate 2000 municipal expenditures per capita (H10), aggregate number of municipal employees per 1,000 persons in 2002 (H11), and the aggregate 2000 outstanding municipal debt per capita (H12) in each state, controlling for political culture in each state (Elazar, 1994).

For the same reasons above, I predict that home rule municipalities will levy less property taxes per capita (H13), spend less per capita (H14), issue less debt per capita (H15), and have fewer municipal employees per 1,000 persons (H16) than do non-home rule municipalities—controlling for political culture, 1999 per capita income in each municipality, 2000 municipal population density (persons per square kilometer), and form of government.

Results

Table 1 below shows the raw numbers for the state level data used in models 1-5 that answer the question as to why some states grant more municipal discretion than do other states. The municipal discretion score ranges from 13-36, with a mean score of slightly over 25 points.

**TABLE 1: Overall Raw Numbers for State Level Data (49 states)
(Models 1-5)**

Variables	(N)	Minimum	Maximum	Mean	Standard Deviation
Municipal Discretion Score (dependent variable)	49	13	36	25.26	4.84
Population Density (persons per square kilometer)	49	.4	438	70.18	97.6
Poverty (percent below poverty level)	49	6.5%	19.9%	11.97%	3.15%
Per capita Income	49	\$15,853	\$28,766	\$20,752	\$2,876
Education (percent college educated)	49	14.8%	33.2%	23.73%	4.31%
Race (percent non-white)	49	3.1%	40.5%	19.42%	10.32%
Traditional political culture	49	0	1	.33	.47
Moralistic political culture	49	0	1	.35	.48

Table 2 below shows the municipal index score and ranking for each of the 49 states in this study.

TABLE 2: Municipal Discretion Score and Ranking for Each State (49 states)

Rank	State	Municipal Discretion Score (High to Low)
1.	Arkansas	36
	Ohio	36
3.	Kansas	34
4.	South Carolina	33
5.	Georgia	32
6.	Alabama	31
7.	Arizona	30
	Minnesota	30
9.	Nebraska	29.5
10.	Kentucky	29
	Tennessee	29
12.	Virginia	28
	Wyoming	28
14.	Louisiana	27
	New Mexico	27
	Oregon	27
	Utah	27
	West Virginia	27
	Wisconsin	27
20.	Illinois	26
	Indiana	26
	Iowa	26
	Missouri	26
	North Dakota	26

Rank	State	Municipal Discretion Score (High to Low)
	Texas	26
26.	Massachusetts	25
	North Carolina	25
	Oklahoma	25
29.	Delaware	24
	Maryland	24
	Michigan	24
32.	California	23
	Montana	23
	Nevada	23
	New Jersey	23
	Washington	23
37.	Connecticut	22
38.	Colorado	21
	Florida	21
	Maine	21
	New Hampshire	21
	New York	21
43.	Alaska	20
	South Dakota	20
45.	Idaho	19
	Vermont	19
47.	Mississippi	17
	Pennsylvania	17
49.	Rhode island	13

Five of the top 10 states with the highest municipal discretion scores can be found in the southern states, with traditional political cultures as identified by Daniel Elazar.

Table 3 below shows the OLS regression results for the OLS regression results for models 1-5 that answer the question as to why some states grant more municipal discretion than do other states—using state level data.

TABLE 3: Why Do Some States Grant More Municipal Discretion?
OLS Regression Results (Models 1-5)
State Level Data (49 states)

Independent/Dependent Variables	Model # 1	Model # 2	Model # 3	Model # 4	Model # 5
	Municipal Discretion	Municipal Discretion	Municipal Discretion	Municipal Discretion	Municipal Discretion
Density (Persons per square kilometer)	-0.0153 * (.008)	—	—	—	—
Education (percent of persons with a college degree)	—	-0.138 (.178)	—	—	—
Per capita Income	—	—	-0.0001 (.0003)	—	—
Race (Percent non-white population)	—	—	—	-0.065 (.078)	—
Poverty (Percent of persons below poverty level)	—	—	—	—	-0.41 (.299)
Moralistic Political Culture	-1.65 (1.84)	.202 (1.62)	-0.019 (1.74)	-0.32 (1.73)	.324 (1.60)
Traditional Political Culture	2.11 (1.82)	3.11 (1.82)	3.32 (1.98)	4.07 ** (1.69)	5.72 *** (2.18)
N	49	49	49	49	49
R-Squared Adjusted	.14	.08	.13	.08	.10
Probability > F	.02	.08	.10	.078	.05

NOTES: In the results cells, the first number is the unstandardized coefficient and the second number is the standard error. The author uses the following symbols to represent different standards of statistical significance: **P < .01 = ***; P < .05 = ** and P < .1 = ***

Model # 1 shows that the municipal discretion score in each state is negatively (P = .06) rather than positively correlated with density (number of persons per square kilometer) as hypothesized—controlling for political culture (H1). Model # 1 predicts that the municipal discretion score will decrease by one point for each 50-person increase per square kilometer.

There is not empirical support for hypotheses # 2-5 that the municipal discretion score in each state is positively correlated with education level, per capita income, and the percent of

non-white and negatively correlated with the percent of persons below the poverty level respectively—controlling for political culture.

Table 4 below shows the overall raw numbers for the municipal level data in the 49 states included in this study that are used in models # 6-12.

TABLE 4: Overall Raw Numbers for Aggregate Municipal Level Data in Each State (Models 6-12)

Variable	(N)	Minimum	Maximum	Mean	Standard Deviation
Municipal Discretion Score	49	13	36	25.26	4.84
Population Density	49	28	5,334	1,065	825.1
Per Capita Income	49	\$16,612	\$25,467	\$20,578	\$1,862
State Aid per Capita	49	\$18	\$1,919	\$369	\$436
Property Taxes per Capita	49	\$44	\$1,347	\$393	\$355
Expenditures per Capita	49	\$762	\$5,544	\$1,590	\$888
Employees per 1,000 population	49	8	47	17	10
Debt per Capita	49	\$386	\$6,200	\$2,053	\$962
Traditional Political Culture	49	0	1	.33	.47
Moralistic Political Culture	49	0	1	.35	.48

In models # 6-8 the author tested hypotheses # 6-8 whether there is a positive correlation between the municipal discretion score in each state and aggregate municipal per capita income (H6) and aggregate municipal density (H7), and a negative correlation between the municipal discretion score in each state and the aggregate municipal state aid per capita (H8)—controlling for political culture (see Table 5 below).

TABLE 5: Why Do Some States Grant More Municipal Discretion?
OLS Regression Results (Models 6-8)
Aggregate Municipal Level Data in Each State (Cities over 25,000 in 49 states)

Independent/Dependent Variables	Model # 6	Model # 7	Model # 8
	Municipal Discretion	Municipal Discretion	Municipal Discretion
Per Capita Income	.0004 (.0004)	—	—
Population Density (persons per square kilometer)	—	-.0012 (.001)	—
State Aid per Capita	—	—	-.003 * (.002)
Traditional Political Culture	4.0 ** (1.65)	2.58 (1.86)	2.25 (1.79)
Moralistic Political Culture	-.007 (1.62)	-.552 (1.71)	-1.20 (1.75)
N	49	49	49
R-Squared Adjusted	.09	.10	.13
Probability > F	.06	.05	.025

NOTES: In the results, the first number is the unstandardized coefficient and the second number is the standard error. The author uses the following symbols to represent different standards of statistical significance:
P < .01 = *; P < .05 = ** and P < .1 = ***

Contrary to hypothesis # 6 but similar to model # 3, model # 6 demonstrates that per capita income is not correlated with the municipal discretion score across the 49 states, using aggregate city-level data in each state—controlling for political culture.

Contrary to hypothesis # 7 and the results in model # 1, model # 7 does not predict a correlation between population density and the municipal discretion score when aggregate city-level data is used.

Finally, Model # 8 does show, as predicted in hypothesis # 8, a marginal inverse statistical relationship ($P = .075$) between the municipal discretion score and state aid per capita. Model # 8 predicts that for every point decrease in the municipal discretion score, state aid per capita will increase by about \$333 per capita.

Tables 6 and 7 (models 9-16) predict whether municipal home rule makes a difference in terms of the following four response (dependent) variables: 1) property taxes levied per capita, 2) expenditures per capita, 3) employees per 1,000 population, and 4) debt per capita in municipalities over 25,000 persons in the 49 states. For models 9-12 (found in Table 6), the major independent variable is the municipal discretion score and the control variables are political culture (traditional and moralistic compared to independent culture), using aggregate municipal data in each state. In models 13-16 (Table 7) the major independent variable is the home rule status of each municipality (1= home rule, 0= non-home rule), controlling for form of government (1=council-manager; 0= mayor-council and all other forms), population density, per capita income, and political culture—using the municipality as the unit of analysis.

**TABLE 6: Does Municipal Discretion Make a Difference?
OLS Regression Results (Models 9-12)
Aggregate Municipal Level Data in Each State (Cities over 25,000 in 49 states)**

Independent/Dependent Variables	Model # 9	Model # 10	Model # 11	Model # 12
	Property Taxes per Capita	Expenditures per Capita	Employees per 1,000 population	Debt per Capita
Municipal Discretion	-31.4 *** (9.92)	-53.48 ** (25.89)	-.6535 ** (.296)	-8.63 (31.3)
Traditional Political Culture	-184 (116.1)	-488.43 (302.83)	-1.95 (3.46)	244.1 (366.16)
Moralistic Political Culture	-115.1 (108.4)	-712.56 ** (282.92)	-7.29 ** (3.24)	-124.29 (342.08)
N	49	49	49	49
R-Squared Adjusted	.23	.16	.13	-0.04
Probability > F	0.0018	0.01	.026	.78

NOTES: In the results, the first number is the unstandardized coefficient and the second number is the standard error. The author uses the following symbols to represent different standards of statistical significance:

P < .01 = *; P < .05 = ** and P < .1 = ***

As predicted in hypotheses 9-11, models 9-11 predict a negative correlation between property taxes per capita and the municipal discretion score for each state (P = .003), a negative

correlation between expenditures per capita and the municipal discretion score for each state ($P = .045$), and a negative correlation between employees per 1,000 persons and the municipal discretion score for each state ($P = .032$) respectively—controlling for political culture. Model # 9 predicts that property taxes per capita will decline by \$31.40 for every one-point increase in the municipal discretion score. Model # 10 predicts that expenditures per capita will decrease by \$53.48 for every one-point increase in the municipal discretion score. Model # 11 predicts .65 fewer employees per 1,000 in population for every one-point increase in the municipal discretion score.

However, hypothesis # 12 was not supported, as model # 12 does not predict a statistical relationship between debt per capita and the municipal discretion score in each state.

The OLS regression results in models # 13 and # 16 demonstrate support for hypothesis # 13 and # 16 that home rule municipalities levy less property taxes per capita ($P = .025$) and employ fewer employees per 1,000 population ($P = .036$) than do non-home rule municipalities—controlling for form of government, population density, per capita income, and political culture. Model # 13 predicts that home rule municipalities will have about \$44.57 less property taxes per capita than do non-home rule municipalities, and Model # 16 predicts that home rule municipalities will have slightly over one less employee for every 1,000 in population than do non-home rule municipalities.

The results in models # 13 and # 16 mirror the results in models # 9 and # 11 that use the aggregate municipal data in each state as the unit of analysis, the municipal discretion score as the major independent variable, and political culture as the only control variable.

However, model # 14 does not support hypothesis # 14 that home rule municipalities will have fewer expenditures per capita than do non-home rule cities. Model # 14 predicts that the

null hypothesis there is no difference in expenditures per capita between home rule and non-home rule municipalities cannot be rejected. The results in model # 14 contradict the results in model # 10 that uses aggregate municipal level data, the municipal discretion score as the major independent variable, and political culture as the only control variable.

Finally, model # 15 does not support hypothesis # 15 that home rule municipalities have less debt per capita than do non-home rule municipalities. In model # 15, the null hypothesis there is no difference in debt per capita between home rule and non-home rule municipalities cannot be rejected. The model # 15 results are comparable with the results from model # 12 that uses aggregate municipal level data, the municipal discretion score as the major independent variable, and political culture as the control variable.

Interestingly, models 13-16 predict that city manager municipalities have lower property taxes per capita ($P = 0.000$), lower expenditures per capita ($P = 0.000$), lower debt per capita ($P = 0.000$), and fewer employees per 1,000 persons ($P = 0.000$) respectively than do non council-manager municipalities. The Beta scores generated in each of the four models showed that form of government was a stronger explanatory variable than was home rule status but not as strong as political culture, except when predicting expenditures per capita.

It is also interesting to note that municipalities with a moralistic political culture have lower property taxes per capita ($P = 0.000$), lower expenditures per capita ($P = 0.000$), and fewer employees per 1,000 persons ($P = 0.000$) than do municipalities with an individualistic political culture, and that municipalities with a traditional political culture have lower property taxes per capita ($P = 0.000$) but higher debt per capita ($P = 0.000$) than do municipalities with an individualistic political culture. The Beta scores in the four models show that the political culture

variables are stronger explanatory variables than home rule status and form of government, except when predicting expenditures per capita.

TABLE 7: Does Municipal Home Rule Make a Difference?
OLS Regression Results (Models 13-16)
Municipality is the Unit of Analysis (over 25,000 population)

Independent/Dependent Variables	Model # 13	Model # 14	Model # 15	Model # 16
	Property Taxes per Capita	Expenditures per Capita	Debt per Capita	Employees per 1,000 Population
Home Rule Status (1= Home Rule; 0= Non home rule)	-44.57 ** (19.84)	-54.46 (50.3)	19.53 (100.14)	-1.12 (.532) **
Form of Government (1= Council-Manager; 0= all others)	-77.92 *** (21.45)	-267.32 *** (54.35)	-403.90 *** (108.28)	-2.81 *** (.60)
Population Density (persons per square kilometer)	.017 *** (.006)	.074 *** (.016)	.0245 (.032)	.0003 * (.0002)
Per Capita Income	.007 *** (.001)	.007 ** (.004)	.0145 ** (.0071)	-.00005 (.00004)
Traditional Political Culture	-158 *** (27.33)	-50.34 (69.21)	895.69 *** (137.96)	1.095 (.748)
Moralistic Political Culture	-142 *** (25.23)	-224.40 *** (63.86)	511.54 *** (127.34)	-5.458 *** (.689)
N	945	946	945	1,214
R-Squared Adjusted	.12	.08	.04	.134
Probability > F	0.0000	0.0000	0.0000	0.0000

NOTES: In the results, the first number is the unstandardized coefficient and the second number is the standard error. The author uses the following symbols to represent different standards of statistical significance:

P < .01 = *; P < .05 = ** and P < .1 = ***

Discussion

Why Do Some States Grant More Municipal Discretion than other States?

This study finds an empirical warrant that U.S. states grant municipalities less discretion when state aid per capita increases. This author contends that state officials in states permitting more municipal discretion will increasingly expect municipalities in that state to rely on a myriad of own-source revenues and non-state aid to fund municipal operations and services. Conversely, as state funding of municipal operations increases, state officials in that state will be inclined to meddle in municipal fiscal affairs.

There is also evidence from this study that states grant municipalities slightly less discretion when the statewide population density increases, controlling for political culture (See Model # 1). This finding calls into question the notion that increasing density can be considered a surrogate measure for increasing demands for separation into autonomous units or the inability or unwillingness of state governments to control local governments— as suggested by Stephens (1974).

However, the finding in Model # 1 contradicts with the finding in Model # 7, when using the aggregate population density for municipalities over 25,000 in population in each state. The different results in the two models can be attributed to the big difference in the values of the two explanatory variables (See Tables 1 and 4). Expanding the data set to include municipalities under 25,000 in population should reduce the discrepancy between the statewide and aggregate municipal population density values in each state.

To comprehensively answer the question as to why some states grant more discretion to municipalities than do other states, future research should also examine the reason(s) for the relationship between political culture and municipal discretion and include other explanatory variables such as the scope of government fragmentation in each state, the relative political strength of associations of local officials and public service unions, state administrative and political resources dedicated to supervising local government, population growth (Zimmerman, 1995), and the growth of property taxes (Temple, 1996).

Does Municipal Discretion/Home Rule Make a Difference?

This national study demonstrates that state imposed limitations on municipal discretion are not necessary because municipal officials can be trusted to act in a fiscally responsible and responsive manner. Ergo, states should grant local governments broad discretionary authority

and home rule status. There is empirical support that aggregate municipal property taxes per capita, aggregate municipal expenditures per capita, and aggregate municipal employees per 1,000 in population decline as the municipal discretion score increases; that home rule municipalities have a lower property tax levy per capita and fewer employees per 1,000 in population than do non-home rule municipalities; and that home rule municipalities have the same expenditures per capita and debt per capita as non-home rule municipalities.

It is not clear from the extant literature or this study, however, whether municipal discretion and/or home rule are a cause or consequence of fiscal/personnel outcomes or the reason(s) for the predicted correlation between municipal discretion/home rule and fiscal/personnel outcomes. The results in this study can support the Banovetz and Albritton argument that public officials in home rule cities or states allowing municipal discretion are as or more likely to act responsibly than are public officials in non-home rule cities or states that do not permit as much municipal discretion. The results of this study can also support the conclusion that high property taxes per capita and debt per capita cause citizens (and municipal officials) to support and press for more municipal discretion or home rule status as a way to diversify revenues, thus reducing the residents' property tax and debt burden (Temple, 1996), and that public officials in home rule municipalities or states granting much municipal discretion that have large expenditure outlays per capita and a large municipal workforce are as or more likely to cutback than are public officials in non-home rule municipalities or states not granting as much municipal discretion.

To test one or both of the two explanations described above, one could use a qualitative and/or a quantitative analysis to 1) determine if the change in the total property tax levy plus home rule taxes per capita in home rule municipalities are equal to or less than the change in the

property tax levy per capita in non home rule municipalities, 2) determine, using a time-series analysis, if the total property tax levy plus home rule taxes per capita in a home rule municipality is equal to or less than the property tax levy per capita prior to becoming a home rule municipality, 3) compare the gap between potential and actual use of municipal discretion over time, 4) compare the municipal discretion score in each state with the aggregate (or change in the aggregate) municipal revenues per capita (includes total property taxes plus any home rule taxes) in each state, and 5) conduct surveys and/or interviews to better understand public officials' motivations and intentions as well as the role played by citizens in the budget process and pressing for more or less formal or use of municipal discretion.

Future research should also examine qualitatively and quantitatively the interaction between political culture and municipal discretion and the interaction between form of government and home rule status in explaining municipal fiscal and personnel outcomes.

Finally, this study can and should be replicated as much as possible for U.S. counties. *Validity of the Municipal Discretion Variable:* To test the validity of the municipal discretion composite variable, the author compared the results of models # 9-12 with alternative models # 13-16 respectively that included the same control variables as models 9-12 (political culture). Thus, the author was able to examine whether the level of statistical significance and the direction of the relationship between the respondent variable and the major explanatory variable in model # 9 and alternate model # 13, model # 10 and alternate model # 14, model # 11 and alternate model # 15, and model # 12 and alternate model # 16 were comparable. Upon examination, the author found that the level of significance and the direction of the relationship were comparable in the dyads, with the exception of one dyad (model # 11 and alternate model # 15). The level of statistical significance in model # 11 was $P < .05$, and the level of statistical

significance in alternate model # 15 was $P < .01$; however, the direction of the relationship was the same. Based on the results of this examination, the author concludes that the municipal discretion composite model is a valid measure of municipal discretion.

However, the author's municipal discretion scores from the 49 states was created from state-local relations data that is approximately 12 years old, and the statistical models use socio-economic and fiscal data from the 2000 census. Consequently, a new municipal discretion index for each state should be developed by updating the data in the *Home Rule in America: A Fifty-State Handbook* and/or from a national survey of municipal governments over 2,500 in population. The scholarly results from the fifty-state analysis and/or the national survey could be used to create a new municipal discretion score for each state and the results from the national survey could update the home rule status of each municipality. The updated municipal discretion scores and home rule status could then be compared to relevant socio-economic, fiscal, and personnel data from the 2010 U.S. Census.

Appendix A: Municipal Discretion Index (Maximum of 50 points per State)

1. Home Rule Definition (maximum 5 points or 10% of total)
 - a. Scope of home rule
 - i. Broad (Fordham, liberal construction, liberally construed, devolution of powers, and legislative grants)—3 points
 - ii. Limited (Administrative home rule, charter writing only, or legislative permission)—1 point
 - iii. None—0 points
 - b. Enabling Legal Authority
 - i. Constitutional—2 points
 - ii. Statutory—1 point
2. Structural (maximum 18 points or 36% of the total)
 - a. Local privilege legislation allowing the state to enact special legislation affecting one city.
 - i. Local special privilege legislation is not specifically permitted (or is not applicable), classification is not possible as a substitute for local laws (or is not applicable), and local privilege legislation is prohibited—3 points.
 - ii. Limited use of local privilege legislation—2 points
 - iii. Local special privilege legislation is not permitted/used (or not applicable), or local special privilege legislation by the state is prohibited, or classification is not used as a substitute for local laws (or not applicable)—1 point
 - iv. Local special privilege legislation is permitted/used, local special privilege legislation by the state cannot be prohibited, and classification is used as a substitute for local laws—0 points
 - b. Degree of difficulty for incorporation of new cities
 - i. Easiest (petition state)—4 points
 - ii. Simple majority vote—3 points
 - iii. State legislators, state agency, administrative judge, or special commission must approve annexation—2 points
 - iv. County must agree to having the disputed area turned into a city—one point
 - v. Hardest. Constitutionally mandated commission must approve incorporation (or prohibited by state law with few if any exceptions). Or no incorporation of cities permitted—0 points
 - c. Total number of annexation methods used in each state (0-4 points)
 - d. Difficulty when annexing new territory
 - i. Easiest (City ordinance only)—5 points
 - ii. Voluntary annexation—4 points
 - iii. City ordinance and also public hearing—3 points
 - iv. Special Commission, state legislators, administrative judge, or state agency must approve annexation—2 points
 - v. County must agree to annexation—1 point
 - vi. Hardest (Majority vote of residents in are proposed to be annexed, or no annexation permitted)—0 points

Appendix A: Municipal Discretion Index (Maximum of 50 points per State)

- e. Municipal extraterritoriality zoning and land use powers
 - i. Yes, municipalities have planning and zoning jurisdiction beyond city boundaries—2 points
 - ii. Municipality must negotiate with county, another city, or subject to zoning regulations of the locality in which extraterritoriality is sought—1 point
 - iii. Municipalities do not have any authority—0 points
- 3. Functional (Maximum 15 points or 30% of the total points)
 - a. Number of functional responsibilities permitted and used by municipalities (0-9 points depending on the number permitted in each state)
 - b. Economic development authority available to municipalities.
 - i. Number of economic development tools permitted—organizational, regulatory, and fiscal tools—0-3 points depending upon the number of tools permitted)
 - c. Number of methods permitted by states for municipalities to cooperate with other jurisdictions (There are potentially 23 different methods)
 - i. Seven or more methods (3 points)
 - ii. Three, four, five, or six methods (2 points)
 - iii. One or two methods (1 point)
 - iv. No methods (0 points)
- 4. Fiscal (Maximum of 12 points or 24% of the total points)
 - a. Balancing the budget
 - i. State does not require a balanced municipal budget (1 point)
 - ii. State requires municipalities to balance their budget (0 points)
 - b. Bankruptcy procedures
 - i. No state procedure for municipal bankruptcy or not applicable (1 point)
 - ii. State procedure for bankruptcy of municipalities (0 points)
 - c. Diversification of revenues (% of total revenues from the single largest source)
 - i. Under 30 percent (5 points)
 - ii. From 30-40% (4 points)
 - iii. From 40-50% (3 points)
 - iv. From 51-75% (2 points)
 - v. From 76-100% (1 points)
 - d. Debt limit (assumes minimum debt limit)
 - i. Over 100% of AV (5points)
 - ii. 30%-100% of AV (4 points)
 - iii. 20-29.99% of AV (3 points)
 - iv. 10-19.99% of AV (2 points)
 - v. 1-9.99% of AV (1 point)
 - vi. 0% of AV (0 points)

Source: Krane, Dale; Platon N. Rigos; and Melvin B. Hill Jr. 2001. *Home Rule in America: A Fifty-State Handbook*. Washington D.C.: Congressional Quarterly Inc.

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