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An examination of impact fees in growing school systems

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ABSTRACT

AN EXAMINATION OF IMPACT FEES IN GROWING SCHOOL SYSTEMS

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Northern Illinois University, 2014

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This study examined the effects of impact fees on school systems in growing communities. Many communities surrounding the Chicago area experienced growth, commonly referred to as sprawling growth. The additional population required enhancements and improvements to existing infrastructure (including schools) in the community. Local tax efforts to fund additional infrastructure arrived as late as two years after building new homes, creating a funding challenge. Communities used impact fees more frequently to provide immediate revenue before new construction began to help offset tax shortfall. However, the planning and structure of impact fees differed among municipalities. I selected two growing communities for this study and examined the responses of the school and municipal organizations.

NORTHERN ILLINOIS UNIVERSITY
DEKALB, ILLINOIS

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AN EXAMINATION OF IMPACT FEES IN GROWING SCHOOL SYSTEMS

BY

RONALD V. PACHECO
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Dissertation Director:
Dr. Christine Kiracofe

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DEDICATION

I am humbled at the magnitude this project represents. A dissertation means so many things to different people. For some, it is a mere title to boast on letterhead or even a pay raise. For me, this research is deeper than words can express. Many people are the reason that this dissertation came to fruition. First, to my Pacheco family that always instilled the drive in me to reach as far as I could. My mother, Victoria, and father, Ronald, set a drive within me from an early age, and that is where it began. Victor, Mabel, Basil, and Martha are smiling. My Wilder family always cheered me through the course.

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CHAPTER 1

INTRODUCTION

Introduction

School systems face potential opportunities and challenges when growth occurs in a previously undeveloped area. Public schools generally serve as a key selling point to homebuyers but may be overlooked during the planning of growth. Municipalities often plan growth policy without considering potential long-term effects on the local school system. As a cornerstone of a successful community, school systems crave involvement during planning, implementation, policy, and procedure for growth (McLean County Regional Planning Commission, 2002). Growth creates environmental changes that can lead to several issues for schools such as over-crowding, increased financial deficits, and possibly negatively effect student outcomes.

This study researched school systems in growing communities located in Will County, Illinois, and the role of impact fees. Impact fees are local policies that authorize communities to require additional revenue or land for infrastructure without relying on or increasing taxes. Impact fees offset the financial challenge of taxes that arrive as much as two years later. Growth and the policies of impact fees differ among Illinois communities.

Three aspects of the communities and schools came to the forefront of this study. First, this project investigated the responses of the municipality and school system throughout growth within their respective communities and the role of impact fees. Second, the existing economic and collaborative relationships between schools and municipalities predicated the manner in which the various changes occurred. Last, in addition to changes during rapid growth during prosperous times, this study researched decisions of schools and communities resulting from the economic shortcomings following 2008, which pressured municipal and school leaders to reassess local policy related to growth (McCarthy, 2010).

Growth in Communities

Communities near urban developments, such as Chicago, face sprawling growth (Rosenberg, 2003). Sprawl, the most common form of modern development, can exhaust many natural and community resources (Coyne, 2003; McElfish, 2007). Such developments require larger land parcels; greater distance between homes; and expansions for roads, schools, water, etc. (McElfish, 2007; Puget Sound Regional Council, 2005; Rosenberg, 2003). Growth in rural areas occurred at a rapid pace during the latter part of the 20th century, and the counties adjacent to Chicago grew faster than others in Illinois (Gruidl & Walter, 1991; Little & Working, 2008). Since 1940, the population of the Chicago metropolitan area increased over 45% (Rosenberg, 2003).

Growth trends in Illinois through the 1990s indicated that collar counties (adjacent to the Chicago area) continued to experience the greatest amount of population increase (McCourt & LeRoy, 2007; Vail, 2000). The housing trends beginning in the 1990s found that consumers desired rural amenities such as large land parcels, distance between neighborhoods, and modern conveniences, all of which continued sprawl (Rosenberg, 2003). Areas known for their rolling meadows, agriculture, and rural school systems, rapidly transformed to suburban metropolises, which made rural America the fastest growing part of the nation (Isserman, 2000).

Population trends in Illinois after the 2000s continued the outward migration from the Chicago area to the surrounding counties, particularly Will and Kendall (Golab, 2011; Mullen & Ortiz-Healy, 2011; U.S. Census Bureau, 2013). In 2007, Will County, located approximately 30 miles southwest of metropolitan Chicago, became the fastest growing county in Illinois, and the population of Kendall County noted the highest increase (77.5%) following the 2000 census (Little & Working, 2008). The 2010 census data indicated that the overall population of Will County reached 677,560, which signified a 34.9% increase (175,294 people) since 2000 (Lafferty, 2011; U.S. Census Bureau, 2013). Between 2000 and 2010, the population of Cook County decreased by approximately over 200,000 residents to 5.2 million (-3.4%), which might have been greater, if not for the housing market collapse in 2008 (Mullen & Ortiz-Healy, 2011).

A great deal of rural area in Will County, Illinois, known for farming and

agriculture, began to make way for suburban development and sprawl after 1990 (Gruidl & Walter, 1991; Vail, 2000). Growth averaged over 60% in municipalities located in the Illinois counties of DuPage and Will (see Appendix A). This study observed the growth rates in all of the municipalities located in Will County, Illinois, and found that the two highest growth rates occurred in Manhattan (111.7%) and Plainfield (203.6%) between 2000 and 2010 (U.S. Census Bureau, 2013). Both communities exist within 15 miles of each other and are located about 35 miles southwest of Chicago.

At first, the growing communities embraced growth because it brought rejuvenation to areas where population and school size had remained stagnant or even decreased (Gruidl & Walter, 1991). However, as the number of new subdivisions increased throughout Chicago collar counties, demands on local governments became significant. As the new housing developments increased within communities, so did the various needs for more infrastructure and services also increased (Rosenberg, 2003). Growth in rural and agricultural areas gave way to high-density housing, with needs for municipal sewer and water service. Progressive services and utilities such as heating, electricity, and phone service required significant restructuring for new subdivisions.

Challenges for Communities and Schools

The 1990s heralded a significant amount of growth, and the communities found themselves challenged to keep pace with the increased demands necessitated by new residents, such as additional roads and schools. School systems in growing communities

faced potential overcrowding, philosophical conflict, and financial challenges (Howley et al., 2005). In addition, school systems once housed in a single building with manageable class sizes faced transportation issues and new construction needs. Growth presented exciting and challenging opportunities; however, communities at times may not fully take into account school systems during the process. District and school-level leaders possess little control as to how a community addresses population growth.

Howley et al. (2005) believed that sprawling growth affects school systems in growing areas because they shoulder long-term challenges and compelling issues during the process due to insufficient or nonexistent impact fees. Increased class sizes, overcrowding, deficit spending, and effects on student outcomes become difficult choices that school leaders made in response to the challenging financial situations created through growth. As student enrollment increases, school systems encounter demands for more student services, such as additional class sections, programs, transportation, and facilities (Kelsey, 1993). Collaboration is vital between school and municipal leadership and helps determine the need for additional staffing, infrastructure, and resources for a growing community (Ross & Thorpe, 1992). This study examined relationships among municipalities, schools, and communities; the planning and structuring of impact fees that occurred; and how such institutional behaviors shaped and influenced their organizations.

Impact Fees: Background and Understanding

Municipal and community leaders created policy to collect money from developers to help offset the costs associated with building new schools, known as impact fees. The term “impact fees” derived from an earlier term, “exactions.” Exactions required developers to fund infrastructure to help growth pay for itself (Altshuler, Gomez-Ibáñez, & Howitt, 1993; Colorado Sprawl Action Center, 2001). Two types of impact fees and exactions became common: in-kind or in-lieu. In-kind exactions required land donations from the developers for future capital sites and infrastructure improvements, such as roads and schools, and were used more often prior to financial exactions in the 1970s. In-lieu exactions became known as “impact fees” or “development fees.” City policy associated with impact fees required monetary contributions from the developers into municipal funds (Altshuler et al., 1993). The city of Naperville, located approximately 30 miles west of metro Chicago, addressed issues associated with community growth for schools in Illinois through the implementation of impact fees in 1972, which allowed the city to collect money from developers before a house was built in the community (Skidmore & Peddle, 1998).

The use of impact fees provided various community taxing bodies with the ability to keep pace with growth by collecting revenue for additional infrastructure (Rosenberg, 2003). The revenue received from impact fees typically provided school systems with financial relief to purchase land, new construction, and improvements to existing facilities. Altshuler et al. (1993) report that the use of impact fees appealed to

municipalities because federal funds declined gradually for federally funded school construction as building standards, such as fire-codes and material requirements, increased during the 1970s. Community growth took various names over time. During the 1940s, growth studies were referred to as “cost/revenue analyses;” and since the 1970s as “fiscal impact analyses” (Altshuler et al., 1993, p. 78). Municipalities used results from such research as a starting point for organizing and planning impact fee policies.

Impact fees provide revenue to school systems to purchase land or build schools, but do not burden current residents with increased taxes (Carrión & Libby, 2004; Singell & Lillydahl, 1990). Ideally, impact fees provide the school system with necessary revenue for capital improvements and/or additions to existing buildings. Municipalities utilize and implement impact fees as a method to manage growth within their taxing boundaries (Rosenberg, 2003). Though impact fees attempt to shift immediate costs of growth from current residents to developers, the actual cost of the impact fees typically get transferred to the buyer through higher housing prices and arguably helped contribute to fewer home sales (Kolo & Dicker, 1993; Rosenberg, 2003; Skidmore & Peddle 1998; U.S. Department of Housing and Urban Development [HUD], 2014). An impact fee study in 1998 of DuPage County, Illinois, found that communities that used impact fees reduced their growth rates by approximately 25% when compared to growth rates prior to using impact fees (Skidmore & Peddle, 1998). Skidmore and Peddle (1998) also

believed that municipalities that used impact fees appeared better prepared to manage growth in contrast to communities without them.

Purpose of the Study

The purpose of this study is to provide information and potentially to guide school and community leaders' responses and actions pertaining to growth. This work could possibly affect future policy decisions that involve impact fees to benefit both schools and communities. Furthermore, this project may guide collaborative planning efforts among the leadership entities within their respective communities, thereby fortifying school finances and potentially improving student outcomes. After all, schools and municipal organizations exist within the same larger institutional framework. Last, this project could impact policymakers at a larger level regarding statewide policy for new development and school impact fees. Many future leaders of growing school systems may find themselves facing challenging decisions regarding growth, seeking remedies for funding shortages, and relying on measures that may ultimately increase taxes for citizens or affect student outcomes. With that, the following research questions guided this study:

Research Questions

1. What effect did impact fee revenue, or its lack, have on facility maintenance, student services, and per-pupil impact in two growing school systems?

2. As a result of community growth, what types of new impact fee policies or modifications to existing policies did the local municipal leadership make?

This study examines the various types of impact fees from two different, yet growing, communities. I examined how the impact fee structures varied and learned about their similarities and differences between the communities. Furthermore, I studied the manner and methods in which the planning and implementation of impact fees occurred within the communities. I gathered planning phases and structural information about the various impact fees and how they evolved in response to growth and other external factors, such as economic trends, within the communities. Most important, I investigated the effectiveness of impact fees for future funding solutions in Illinois school systems.

Significance of the Study

This study holds significance for school and community leaders. Village leaders, responsible for development guidelines and requirements, may not necessarily seek input from constituents directly affected by growth. Tax money arrives two years after a new home is constructed, and local school systems may be challenged financially to accommodate increasing enrollment. Growing school systems need to provide educational facilities for new students whose families' property taxes do not reach the school system. Community leaders needed to respond to the funding shortfall that the two-year tax delay creates for school systems.

Local government policies may determine whether or not school systems receive additional support when the population increases and suburbanization occurs. In addition, Howley et al. (2005) suggest that school leaders could often find themselves responding to challenging situations mitigated by growth, such as lagging financial resources, in order to provide an environment to foster positive student outcomes.

The results of this study could provide insight for systems located within the collar counties of Chicago, Illinois, because the results from this project offer similar perspectives to communities and their school organizations pertaining to impact fees, growth policies, and educational changes associated with growth. Census projections forecast that the population of Will County, Illinois should surpass the second largest county in Illinois—DuPage County—by the year 2030 (Slife, 2008; U.S. Census Bureau, 2013). Growing school systems find themselves needing to petition referenda in order to help manage overcrowded facilities and acquire land to accommodate additional students. Slife (2008) reports that rapid growth overwhelms school systems with additional students in the absence of impact fees. In instances in which growth policy was inadequate, school systems found themselves opening new schools at full capacity and, in some cases, over capacity. Sprawling growth raised significant concerns in growing areas (Coyne, 2003; McElfish, 2007).

A collaborative partnership between school officials and civic leaders may provide benefits for both schools and communities. Students ultimately are short-

changed in systems plagued with over-crowded and outdated facilities due to inadequate impact fees (Toppo, 2008). Furthermore, this project also focuses on the educational implications for school systems in growing communities. Student outcomes may be jeopardized in school systems that are overcrowded as a result of poorly planned growth (Conklin, 2004).

Growth and progress are unavoidable. However, decisions regarding growth may be most beneficial when collaboration and responsible decision-making occurs between school and community leaders. Slife (2008) suggests that Will County, Illinois, may house over one million residents before 2033, should growth rates continue as reported during the time of this study. School and community officials in rural areas can learn from the decisions and behaviors of communities that have begun to grow. After all, many areas exist to become future developments and the quality of education may be at stake.

CHAPTER 2

REVIEW OF THE LITERATURE

Introduction

The study examines the effects and responses related to impact fee policy from two growing school systems located in Will County, which is located within the Chicago collar-county area. This research is beneficial because numerous communities located in collar-county areas (surrounding urban metropolises) have experienced or may face significant population growth, and this research can be applied to learn from their predecessors. Such communities in the collar-county area, such as DuPage and Will Counties of Illinois, received a significant influx of new residents through 2008 (Slife, 2008). Growth throughout the nation slowed and virtually stopped in Will County as a result of the recession that began in 2009; however, as of 2013, growth had shown a rebirth (U.S. Census Bureau, 2013). This study provides possible solutions to future growth via the use of impact fees that gained popularity because their use provides immediate revenue for schools to use according to municipal policy (Blair, 2001). However, impact fees are managed by municipalities, and therefore, planning and structure vary and, in some instances, are found to be insufficient for the true financial impact growth created for schools, such as increased utilities, supplies, and additional staff. This study might provide communities in the early stages of growth with insight

regarding the need for comprehensive impact fees to benefit school system and community planning. This study intends to benefit a variety of audiences, including school systems, community leaders, developers, and policy makers.

This chapter includes literature regarding impact fees that is examined through a theoretical framework. Institutional theory and isomorphism serve as the theoretical framework that I used to examine political entities, municipalities, and the surge of impact fee use. Before presenting the theoretical framework, I present a definition of impact fees, an historical overview, and a brief discussion of institutional theory and isomorphism.

Impact Fees: A Definition

Impact fees evolved from an earlier concept referred to as “exactions” which began during the 1920s. Their use has increased in popularity throughout many states since the mid-1970s (Carrión & Libby, 2004; Kolo & Dicker, 1993; Singell & Lillydahl, 1990). Exactions are classified in two different types: in-kind and in-lieu. In-kind exactions refer to property dedicated by a developer for future construction. In-lieu exactions, referred to as impact fees, required funds paid by developers to local municipalities and could be used for future buildings such as schools, village halls, water treatment plants, etc. (Altshuler et al., 1993). In subdivisions or developments that do not have on-site land available for the exaction, a cash-for-land or in-lieu exaction is assessed to provide revenue for future land purchases (Altshuler et al., 1993).

Linkage fees address non-residential developments such as shopping malls and industrial parks because they, too, impact the community through increased traffic patterns, affect school transportation routes, and provide tax revenue for taxing bodies, including schools (Carrión & Libby, 2004). Linkage fees became a later form of exactions designed to assist communities and were used primarily in larger cities for non-residential developments (Altshuler et al., 1993). Linkage fees are assessed at the completion of development, and the amount of a new structure's square footage determines the financial needs that the future development will require of the community (Kolo & Dicker, 1993).

The process of impact fees assessment can follow an inductive or deductive manner. Inductive collection assesses fees based on set criteria regardless of nuances of the development. For instance, communities with larger land parcels may not require a school site in the development because the population density is not likely to warrant it. Regardless of the amount of land required, the impact fees for new construction remain the same, and most school impact fees follow this method of assessment (Ross & Thorpe, 1991). The inductive process is the most commonly used method to structure school impact fees throughout the nation because their use requires less planning and research (Ross & Thorpe, 1991). Deductive impact fees assess and attempt to capture the over-all financial impact necessitated by new development such as water service, sewers, streets, and sanitation. The deductive method entails superior calculation and planning to

be effective, thus making the process less desirable to use (Altshuler et al., 1993; Ross & Thorpe, 1991).

To summarize, impact fees evolved from their earliest form, referred to as exactions. Impact fees require land donations (in-kind) or financial payment (in-lieu) from land developers to the municipality. Impact fees are a method of assessing a one-time payment that helps finance new facilities such as schools and similar structures required by new development (Ross & Thorpe, 1991). The developers typically pass the expense of the impact fees to the purchaser through increased home prices or to the original landowner through lowered land value (Nelson & Moody, 2003). Once collected, the school district receives payment according to local policy.

Growth and Impact Fees: An Historic Overview

From the 1970s through 2008, population growth led to greater demand in the new housing market, until the recession greatly inhibited growth (U.S. Census, 2013). Census predictions from 2012 reported that growth began rebounding after a three-year period of dormancy (U.S. Census, 2013). Prior to the recession, Rosenberg (2003) indicates rural areas faced increased growth, especially those located near larger, urbanized areas. A 2008 projection showed that the U.S. population might increase by another 50% within the next 45 years (Olivo, 2008). Higher Asian and Hispanic immigration accounted for much of the country's population increase after 1990 (O'Hare & Felt, 1991; U.S. Census Bureau, 2013). Regardless of ancestry and ethnic make-up,

the Census Bureau reports that the U.S. population may increase by 92 million in the next 35 years (McElfish, 2007, U.S. Census Bureau, 2013).

The manner that communities developed has changed since the 1950s (Hammer, Siler, George Associates & Gould Evans Goodman Associates, 2001). As previously noted, the most common style of land development was sprawl, characterized by housing that required large areas of land and housed fewer residents per acre (McElfish, 2007). Sprawling growth affected many communities with increased demand for infrastructure, such as libraries, schools, and parks.

School impact fees became more commonly used toward the latter part of the 20th century (HUD, 2014). Municipalities dealing with sprawl began to notice that impact fees became a desirable solution to acquire revenue for additional schools and infrastructure without increasing taxes for existing taxpayers and began to increase their use or to add them if none existed (Kelsey, 1993). Their use became a convenient method to collect land and or money to help finance growth without adding additional taxes (Opp, 2007).

Institutional Theory and Institutional Isomorphism: An Overview

Schools, communities, and municipalities are institutions. Each organization acts, governs, behaves, and makes decisions based on written and unwritten rules. Schools utilize formal rules and structure for teachers, administrators, and students. Specific, formal structure for schools can be found in job descriptions, contracts, policies,

handbooks, and flow charts. Municipalities are quite similar to schools and have formal structure such as policies, waste pick-up, parking, laws, and water use. Such rules, norms, and values govern institutions (Scott, 2004).

Institutional theory explains the reasons for the behavior, responses, and changes of organizations such as schools and communities when they are faced with financial challenges and growth. Scholars acknowledge the existence of two predominant forms of institutional thought. Old institutionalism, or historical institutionalism, and new institutionalism, often called “institutional isomorphism,” are the two main strands of institutional theory. Institutional theory draws upon various routines, habits, and rules, which served as a guide for organizational behavior (Scott, 2004). Isomorphism is the theory explaining that organizations change when faced with external pressures, such as financial challenges and growth (DiMaggio & Powell, 1983).

Institutions, including schools and municipalities, seek legitimacy through formal structures and rules, such as policies and guidelines (Scott, 2004). Organizational routines steer the institution and the manner in which it interacts with other institutions. Systems achieve success by following structured rules and habits. During the 1960s, scholars began to study how organizations worked to gain a deeper understanding of organizational behaviors (Katz & Kahn, 1966). Katz and Kahn (1966) refer to such organizations as “open systems” that receive input, process throughput, and provide output. Historical institutionalism commonly believed institutions attained success

through formal structures such as policies and rules (Meyer & Rowan, 1977).

Institutional theory explains the responses and behaviors of school and community organizations as a result of external challenges.

Though prominent scholars prior to the 1970s embraced the structural aspect of institutionalism, theorists such as Selznick (1949) and Gouldner (1954) acknowledged the fact that organizations change because of external pressures, which may include financial challenges, legal changes, and population shifts (Mizruchi & Fein, 1999). Furthermore, Meyer and Rowan (1977) indicate that most organizations do not only utilize policies and written procedures but guide their organizations through ideals and purpose. Scott (1983) echoes a similar sentiment regarding systems that governed themselves through ideals and refers to this as “rationalized myths” and states that

“many of the models giving rise to organizations are based on ‘rationalized myths’ – rule-like systems that ‘depend’ for their efficacy – for their reality, on the fact that they are widely shared, or have been promulgated by individuals or groups that have been granted the right to demonstrate such matters” (p. 14).

External factors such as community growth, economy, and demographics affect schools and municipalities (DiMaggio & Powell, 1983). By recognizing that external factors affect a system, a new form on institutional theory, referred to as “institutional isomorphism,” gained recognition. Institutional isomorphism refers to the changes that organizations experience when faced with external forces but strive to remain successful (DiMaggio & Powell, 1983). Isomorphism is tied to earlier scholarly theorists but received greater acceptance and acknowledgement beginning in the 1970s. Since then, more work regarding the theory arose, and articles by Meyer and Rowan (1977) and

DiMaggio and Powell (1983) received credit as foundational authors for institutional isomorphism (Mizruchi & Fein, 1999). Environmental pressures and reliance on rules, values, and norms are the primary difference between institutional isomorphism and historical institutionalism.

Institutional change, known as isomorphism, is the process that organizations undergo to adapt to broader environmental and external factors to maintain success. However, a paradox formed, as organizations exist: rational changes make them more alike as they strive to be unique (DiMaggio & Powell, 1983). There are three identified mechanisms of institutional isomorphism (DiMaggio & Powell, 1983; Frumkin & Galaskiewicz, 2004; Mizruchi & Fein, 1999). Coercive isomorphism, mimetic isomorphism, and normative isomorphism exist as the mechanisms of institutional isomorphism. The three mechanisms may overlap, but each maintains a unique origin (Frumkin & Galaskiewicz, 2004). The theoretical framework focuses on institutional behaviors and relationships and focuses on the changes that occur as a result of environmental changes.

In summary, institutional isomorphism originated from institutional theory and emerged into new institutional theory. The theoretical framework for this study consists of components of institutional theory and isomorphism. This serves as the lens through which I examined the literature pertaining to impact fees. Furthermore, institutional theory and isomorphism relate to organizational behaviors and the process that systems

change, which also explains why and how systems such as schools and communities responded as a result of their changing environments.

Institutional Theory and Isomorphism: A Theoretical Framework

This study researched the effects of impact fee policy in two growing school systems and their respective communities. I examined the behaviors and responses of the community and school leaders as various external changes and challenges associated with growth mitigated institutional change. Community growth created financial challenges for both communities and schools organizations, and as a result, impact fees became more common after the 1970s to assist with additional financial resources to help offset school construction costs. This project focused on the various institutional relationships, underlying attitudes, and behaviors between the schools and municipal institutions within the community. The theoretical framework served as the lens through which I examined the interactions, behaviors, and responses between municipal, community, and school system norms/values, and funding beliefs.

External forces or factors affect systems and cause institutional change. DiMaggio and Powell (1983) acknowledge the existence of organizational and environmental predictors that serve as a springboard for institutional change. Municipalities and school districts receive similar influences as members of the same community and, therefore, may undergo similar changes, referred to as

“homogenization” (Rowan & Miskel, 1999). Systems change relative to the values, norms, beliefs, and rules within the organization and often do so based on values of their past practices rather than future anticipations (Levitt & March, 1996). Growing school districts and municipalities respond to external pressures and behave according to their institutional beliefs (norms, values, etc.) and, furthermore, their underlying attitudes and expectations. The schools and municipalities change according to three forms of isomorphism, as identified by DiMaggio and Powell (1991).

Coercive isomorphism describes the changes organizations experience as a result of influences by government mandates, rules, expectations, and regulations.

Organizational leaders receive both formal and informal pressure from the environment and surroundings. Coercive isomorphism illustrates the changes in school systems to implement legal educational mandates such as Response to Intervention (RtI), Common Core Standards, and nutritional guidelines for student lunches. Government and political influence forces or coerces organizations through similar policies, and as a result, they become more alike (DiMaggio & Powell, 1983). Coercive isomorphism initiates change on school systems through various state and federal requirements as well as local mandates through the school board and community.

Institutions may change according to their dependence on state funding and legitimacy from other institutions, such as the state board of education (DiMaggio & Powell, 1983). Schools and municipalities rely on resources for success and survival and

share similar challenges as members of the same environment. Municipalities and school districts may have differing beliefs regarding how to respond to environmental changes and challenges (Hanson, 2001). For instance, school districts may expect municipalities to adopt policy in a manner that is in the best interest of the students, but the municipality may believe that funding is the responsibility of the state and fewer burdens should be placed on local taxpayers. Decisions pertaining to growth and school funding reflect the relationship, beliefs, and realities, such as economic trends and finances, within the community.

March (1999) believes that successful systems attain legitimacy by imitating or adapting procedures from other “smarter” institutions. DiMaggio and Powell (1991) refer to such systematic imitation as “mimetic isomorphism.” Systems with ambiguous or non-existent goals and procedures tend to imitate similar systems and institutions. Mimetic change may result in organizational uncertainty, which predicates imitation (Haunschild & Miner, 1997; March & Olsen, 1976). A classic example of mimetic process occurred when the Japanese government studied various American military and political systems that were perceived as superior in the late 19th century to bolster their own military success (DiMaggio & Powell, 1983). Organizations, including school systems, often model themselves after successful organizations (or those that are perceived to be successful) during periods of uncertainty and ambiguity. Municipalities that may lack impact fee policies may examine and imitate impact fees from other “successfully perceived” areas (March, 1999).

School employees and municipal leaders often receive similar training and maintain similar professional affiliations. Professional associations impact and influence the way in which organizations behave. Normative pressures are influences from larger corporations, universities, businesses, and professional associations. School personnel, such as teachers, receive professional training and expertise through colleges, workshops, and educational associations. Normative pressures describe professional influences that cause systems to change. Two primary forms of normative pressures exist that influence institutional change. Both types of normative pressures offer legitimacy, or success, to their respective organizations from professional training and affiliation of the members of the institution. Professionals involved with the system often receive similar college training, thereby sharing similar beliefs and views (Mizruchi & Fein, 1999). Second, professionals interact through training and conferences that further influence systems (DiMaggio & Powell, 1983). Institutions rely on and network with professional associations. Systems such as schools and municipalities often adopt new policies or initiatives because of professional influences, coalitions, or affiliations such as unions or associations.

Schools, communities, and municipalities possess beliefs and attitudes regarding community growth and funding. An organization tends to imitate a successful model in the absence of goals and defined protocol (Haunschild & Miner, 1997). Communities often seek policy revisions during the early stages of growth and, therefore, imitate or recreate what occurred in similar communities. For example, municipalities that do not

utilize school impact fees may examine what other communities have in place and implement similar policy.

This study researched behaviors and decisions in which schools and municipal organizations engaged during change associated with growth with respect to impact fees and related policies in two districts. Furthermore, I observed the relationships between the schools and municipalities experiencing growth. Growth caused changes within each system and among the inner-system relationships in the community. Institutional theory best explained the relationships between systems in the community and their behaviors during the process. Schools and municipalities rely on policy and funding to succeed. Institutional theory provided an explanation as to why decisions and relationships regarding school system and community growth occurred.

In the following sections, I examine the literature pertaining to school impact fees and growth through the theoretical framework. By doing so, I note the interactions and relationships among schools, communities, and municipalities. Last, I study the structure and planning of impact fees, as well as the effects on the educational systems.

Impact Fees and Environmental Changes

The use of impact fees increased since the urban sprawl following World War II (Skidmore & Peddle, 1998; Wendel Cox Consultancy, 2002). Howley et al. (2005) and Vail (2000) found that growth created long-term obstacles challenging public schools. For instance, school systems faced the task of enlarging their current buildings or

constructing new schools to accommodate additional students. Slife (2008) reports that schools systems incurred financial challenges resulting from the additional students from growth. Such school systems used the collected money from impact fees to construct new buildings. Growing communities with insufficient or nonexistent impact fees made financial decisions to propose referenda to current taxpayers, and in light of the economic decline that began in 2008, they found their efforts unsuccessful (Slife, 2008).

Furthermore, after the economic struggles following 2008, some municipalities lowered their impact fees, and others attempted to eliminate them (Bernhard, 2009a; Millsap, 2009; Rowe, 2009).

Three direct costs—infrastructure (schools), loss of natural resources, and long-term impacts, such as air quality and transportation issues—were areas affected by growth (Rosenberg, 2003). The immediate effect of growth affects infrastructure, such as sewers, roads, schools, and utilities. The estimated costs associated with school construction and other building requirements can be obtained through planning and construction firms. Impact fees allow public schools to receive revenue that provides the ability to make capital improvements and pay required construction costs (Altshuler et al., 1993). The use of impact fees also helps communities manage growth by placing financial and logistical requirements before the developers to pay (Rosenberg, 2003; Skidmore & Peddle, 1998). Communities often lose open space and other natural amenities when large areas are developed, and the cost is difficult to quantify. Sprawling growth uses more space and requires more roads. This type of development requires

more traffic on streets and also lengthens travel times for police and other emergency personnel. School systems come into play as well because more students will require bus service, and buses need to travel further distances.

Local policy varies among municipalities, and the assessment of impact fees differ as well. In 1972, the village of Naperville, Illinois began to assess impact fees for road improvements and later used the number of bedrooms in a home to determine school impact fees, which became known as the “Naperville Formula” (McLean County Regional Planning Commission, 2002). The school system authorized the appropriate municipal department to issue a building permit after the impact fees were calculated and paid to the school system. The funds collected from the developers were held in coffers for later use (Altshuler et al., 1993). Impact fees gained popularity among communities because their use generated revenue from new taxpayers without affecting current residents (Opp, 2007). Also, the use of impact fee revenue allowed schools to build or expand without raising taxes. It appeared that impact fees provided a convenience to help communities handle the initial costs created by growth (Carrión & Libby, 2004).

Some municipalities use impact fees as part of their growth management plan. Growth management uses ordinances in conjunction with impact fees (Wilkinson, 2004). An ordinance is a local law passed by the government. Municipalities may use them to create additional requirements with which developers must comply. Growth management ordinances refer to property size and structural characteristics of the home. Furthermore, communities may pass ordinances that do not allow certain types of

construction and housing density, such as pre-manufactured homes or multi-family housing. Land/space ordinances determine property size.

Not only was Naperville among the first communities in Illinois to use impact fees, but it also created a growth management procedure that is commonly imitated when it instituted the Land Cash Donation Ordinance in 1972 (Skidmore & Peddle, 1998). The ordinance required revenue and land donations for school sites and other infrastructure such as parks and libraries (McLean County Regional Planning Commission, 2002; Skidmore & Peddle, 1998).

Supporters of growth management believe that municipalities, school systems, and communities may be better prepared for the challenges of growth when compared to communities without growth policies (Wilkinson, 2004). However, if smart growth is not thoroughly planned, it results in a “well-financed sprawl” (Wilkinson, 2004, p. 1). The additional ordinances and impact fees are believed to increase the cost of new homes. Critics of smart growth cite that having rigid ordinances excludes middle- and lower-income buyers because the price of housing can increase (Wendel Cox Consultancy, 2002).

Impact fees usage increased when the expenses associated with growth shifted from taxpayers to developers (Yinger, 1998). In fact, Scobey (2007) found that from 2003 to 2007, prior to the recession, the use of school impact fees increased by 90%. Municipalities noticed that successful school systems attracted development because buyers often desire a high-performing school system for their children (McLean County

Regional Planning Commission, 2002). In such instances, school systems suggested future school sites as new developments are planned. This became more common in stronger municipalities, which differed from the more common practice in which the developer decides where the school site will be (McLean County Regional Planning Commission, 2002).

Growth created change in communities and impact fees, often based on the beliefs and relationships between the school system and municipality. Examining impact fees and environmental changes through the framework of institutional theory and isomorphism revealed the manner that impact fees changed as a result of environmental pressures and shifts including financial challenges and increasing population. From an historical perspective, impact fees arose from a financial shortage, creating the need for additional revenue to offset costs related to growth. In Illinois, after the village of Naperville created a method for impact fees through the Naperville Ordinance, various communities imitated the efforts of Naperville. Growing communities that lack an impact fee system often seek and imitate what others have done. The manner in which changes occur progresses based on organizational values/norms and expectations within the community, municipality, and school system.

Beliefs and expectations of the community influence impact fees and their use. The revenue generated through impact fees provided communities with the financial convenience to avoid increasing taxes for existing community members. Growth, financial challenges, and community expectations influence the management of schools

and financial decisions that occur. School and municipality expectations guide school impact fee policy and the community's philosophy of growth. Municipal leadership, as an elected community organization, relies on support from the community, as well as approval from the school system. The decision-making process reflects the relationships within and between each system. Actions regarding schools are based on beliefs and values within and between the community and municipality.

The historical use of impact fees parallels growth. Impact fees increased during the sprawl from 1990 through 2008 and subsided in 2009, following the recession. School impact fees have changed based on environmental pressures as well as relationships between the school system and municipalities. Impact fees previously have had few models in existence; therefore, growing school systems can benefit from established models. Communities with insufficient or nonexistent impact fees often imitate what has worked for others. The manner in which impact fees are planned and structured mirrors the norms, values, roles, and expectations within and between the municipality and the community. Because this study examined the underlying beliefs of school and community systems, I believe that institutional theory and isomorphism best explain the responses and behaviors among the organizations.

To summarize, when communities use impact fees as part of their smart growth plan, it can be advantageous for school systems and communities. Illinois communities that utilized impact fees, such as Naperville and Normal, benefited from their growth plan (McLean County Regional Planning Commission, 2002). In contrast, a HUD (2014)

report indicates that smart growth and impact fees, if not used properly, not only limit growth, but also possibly exclude middle- and low-income families because the cost of new and existing homes increases. The literature in this area is divided and further investigation is necessary.

The relationship between the community and the municipality determines the manner in which growth progresses. Growing communities face change for the school system, housing prices, and impact fee policies. The change and process reflect the beliefs and values of the community, all of which depend on the underlying expectations within the community, municipality, and school system. The municipality is dependent on the community for support and resources pertaining to impact fees. The school system relies on the same support. An interdependent relationship between the school system, municipality, and community exist within each community.

A National Overview of Impact Fee Trends

In 2013, impact fee enabling acts existed in 28 states and allowed participating states the ability to impose impact fees for various services needed within the community (Mullen, 2010). A single-family home in 2012 collected an average of \$4,677 for school impact fees (“F.A.Q.,” 2013). The states with enabling acts structured their use mainly for roads, sewers, water, storm drainage, and parks (Mullen, 2010). Of the 28 states, only eight included school impact fees in their enabling act (Carrión & Libby, 2004).

Impact fees followed the housing market trends. Ever since national impact fee data collection began in 2003, building permit increases and decreases correlated with impact fee usage (Mullen, 2010; U.S. Census, 2013). During prosperous economic times, the national average for impact fees (excluding California) increased from \$3,690 to \$6,811 (85%) between 2004 and 2008 (Mullen, 2010). After 2008, the economic environment suffered greatly and similarly affected the housing market. The economic pitfall following the housing collapse of 2008 negatively influenced the use of impact fees. Likewise, the national average impact fees declined \$6,303 to \$5,882 (7%) between 2008 and 2012. (“F.A.Q.,” 2013).

Three common pressures influenced the reduction of impact fees at the community level. First, developers became more aggressive, and new home prices could no longer compete with the prices of existing homes (Mullen, 2010). It became cheaper for customers to buy an existing home than a new one with the cost of impact fees imbedded into the final price (Baden, Coursey, & Kannegiesser 1999). Second, opposition to growth weakened because the economy virtually halted unbridled growth after 2008 and increasing taxes no longer became an issue (Mullen, 2010). Furthermore, communities began to experience more pressing problems, such as foreclosures and unemployment, due to the housing collapse (HUD, 2014). Last, external pressure to imitate neighboring communities that chose to reduce or eliminate impact fees became more common (Mullen, 2010).

Illinois Trends

In 2013, eight states authorized school impact fees through enabling acts. Mullen (2010) reports that Illinois did not exist among them. Impact fees in Illinois needed authorization at the local government level. The first record of impact fees in Illinois occurred in 1972, when the village of Naperville established the first of such policies, the Naperville Ordinance, to fund roads within the city limits (Skidmore & Peddle, 1998). The policy occurred in response to the increased population (7,000 residents in 1950; 28,000 residents in 1970) in the city (Krohe, 1978). Krohe (1978) also reports that ordinances present in nearby communities, such as the cities of Geneva and Schaumburg, existed but required land contribution for building sites, known as in-kind exactions, not impact fees.

Chicago collar counties experienced the greatest amount of population increase in Illinois after the 1980s (Gruidl & Wlater, 1991; McCourt & LeRoy, 2007). In fact, the term “sprawling” became synonymous with the aggressive nature in which growth occurred within the collar counties (Howley et al., 2005; Isserman, 2000; Vail, 2000). Data from the U.S. Census Bureau (2013) report Will and DuPage Counties as two of the most populous adjacent to the Chicago area. The fastest growing areas in Illinois existed near a large urban area, namely Chicago, Illinois (U.S. Census Bureau, 2013). In fact, the collar counties surrounding Chicago—in particular, Will County—experienced population growth that reached almost 35% from 2000 through 2008, at which time the

housing market became stifled (Little & Working, 2008; U.S. Census Bureau, 2013).

Isserman (2000) also indicated that growth trends, if unchanged, might not only change Illinois greatly but could alter the rural make-up of the U.S. by 2050.

Illinois passed the State Impact Fee Enabling Act in 1987, which authorized the use of impact fees for roads only, (Mullen, 2010; Wilkinson, 2004). Texas and Illinois set the trend as the first two states to pass enabling acts (Mullen, 2010). Individual counties in Illinois needed to authorize school impact fees at the local/municipal level in the absence of school impact fee enabling acts. After Naperville initiated the first Illinois impact fees in 1972, other neighboring municipalities began to collect land or money for land (Skidmore & Peddle, 1998). The policy created by the community required new developments to provide land for parks and schools or money for future school construction (Baden & Coursey, 1999).

In 1994, the community created a policy determining impact fees based on the number of bedrooms in a home, known as the “Naperville Formula” (McLean County Regional Planning Commission, 2002). The number of students per acre that a new subdivision would incur determined the amount of money for a school site. The total amount would be divided equally among the parcels. In 1980, that amount was \$1,923.68 for a four-bedroom home (Baden, Coursey & Kannegiesser, 1999). That amount increased by 27% in 2001 (Pohl, 2001). In the late 2000s, Naperville impact fees reached \$5,434.88 (Coursey, 2007).

The Naperville model of impact fees served as a template that other municipalities adapted to suit their own use. For instance, a four-bedroom home on a standard quarter-acre lot in Naperville generated \$5,434.88; in Plainfield, \$2,069.00; and in Sugar Grove, \$5,079.67 for school impact fees (Coursey, 2007). Other Illinois municipalities, such as Normal, used similar ordinances and impact fees (McLean County Regional Planning Commission, 2002).

Collaborative planning between municipalities and school systems existed within some communities. Municipalities with comprehensive growth policies communicated with their respective school systems regarding the role and use of impact fees (McLean County Regional Planning Commission, 2002). For instance, the Highland, Illinois, city council adopted impact fees at the recommendation of the local school superintendent based on data gathered from similar Illinois school systems, which also referred to the Naperville formula when calculating impact fees (Highland City Council, 2004). The impact fee structure created for Highland utilized a smaller scale to fit the needs of the town, being a smaller community than many of the larger growing communities in Illinois in the mid-2000s.

Illinois noted several municipalities that received attention in the local media because of school impact fees through 2008, during peak growth. Villages such as Channahon, O'Fallon, Richmond, Spring Grove, and Wilmington received public attention regarding impact fees (Cryns, 2002; Gustin, 2005). Leadership from the city of O'Fallon met with local superintendents to discuss the rationale for implementing school

impact fees in a town struggling to keep pace with growth (Gustin, 2005). The meeting occurred as a result of the growth that the school system was experiencing because of new development. After one year of meetings and planning, the city of O'Fallon approved school impact fee ordinances to the school system (Denton, 2006).

The city of Wilmington, located about 35 miles southwest of Chicago, adopted school impact fee policies in order to address financial needs created by increased growth in 2000. Before the city approved such policy, the city lacked school impact fee policy. The impact fees had a three-year phase-in period. After the phase-in, a new four-bedroom home collected over \$5,000 for the school system (Smith, 2004). The fees were assessed for future developments, not projects approved prior to impact fees. Unfortunately for Wilmington, numerous homes that received building approval prior to impact fees were passed and, therefore, exempt from paying them (Smith, 2004).

The 2008 recession placed economic pressure on Illinois communities using impact fees. Two communities in Will County, Manhattan and Channahon, found themselves in such situations. Each municipality noted that 2008 impact fees could not be collected because homes sales virtually stopped. Each local government appealed to their respective school systems to offer impact fee rebates for new home sales (Bernhard, 2009a; Millsap, 2009). The government rationalized that rebates could entice buyers to the municipality and the school would receive a percentage of the normal impact fee assessment (Bernhardt, 2009). The Channahon school system, located in a growing municipality approximately 40 miles southwest of Chicago, housed 12,560 residents in

2013 (U.S. Census Bureau, 2013). Prior to 2008, the village grew by 66.4%, after which, growth plateaued (U.S. Census Bureau, 2013). The Channahon school system declined the request of the municipality to eliminate or reduce impact fees because their use helped the school system handle community growth (Millsap, 2009).

The 2013 Census estimated that 7,093 people resided in the village of Manhattan. The growth rate for Manhattan boasted a 55.2% increase after 2000 and prior to the recession. Manhattan village officials presented an economic stimulus plan to all taxing bodies, which included the school system, to offer rebates to new home buyers at the time of closing (Bernhard, 2009a). The plan intended to stimulate Manhattan home sales in new developments because neighboring communities did not offer rebates. As a result, in 2009, the school system received \$92,528.56 in impact fees, sacrificing \$31,176.19 (Bernhard, 2009a). The amount represented an estimated \$5,000 loss per home (Bernhard, 2009b).

The relationship among communities, municipalities, and school systems play a vital role in the use and planning of impact fees. Institutional theory and isomorphism best explain why the schools and municipalities responded as they did in light of shifting environmental pressures and the manner in which changes occurred. External changes such as growth and recession influenced the responses and behaviors of the organizations. The literature indicates an increased use of impact fees resulting from the financial need due to the tax lag during growth. The opposite occurred after the housing market faltered in 2008 when municipalities began to examine the usefulness of

impact fees because growth greatly slowed. The lack of uniform impact fee policy urged municipalities to imitate impact fee structures from similar areas. Such policy changes imitated successful models of impact fees. Many of the communities discussed in this section structured their own impact fee values and norms after communities currently utilizing them. In addition, the municipalities are asserted by the community members to procure funds for handling additional expenses due to growth. With that being the case, the manner in which change occurred is best explained by new institutional theory, known as isomorphism. Such changes resulted from ambiguity or other environmental pressures, and therefore, the various organizations imitated successful models of school impact fees.

Policy and Legal Considerations

The U.S. Constitution is the supreme legal document of the U.S.. The 10th Amendment states, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people” (U.S. Const. amend. X). The 10th Amendment, therefore, made school funding primarily a responsibility of the state. Through the framework of the Constitution, U.S. society expects municipalities to behave in a socially responsible manner. Though federal revenue through Title funds (lunch programs, etc.) provide revenue to schools, local taxes primarily fund education in Illinois. Impact fees and expectations regarding school funding differ among municipalities; the manner in which this occurs reflects values and

beliefs relative to social responsibility. Therefore, at the local level, there exists an expectation that local government should operate in a manner reflecting such assumptions.

As stated in the previous section, 28 states passed impact fee enabling acts, including Illinois. However, the impact fee-enabling act for Illinois did not include fees for schools, thereby giving authority to the local government (Mullen, 2010). State impact fee enabling acts contain standards of constitutionality developed through the legal system. School impact fee policies and ordinances differ among municipalities based on local needs and expectations. The structure of impact fees parallel the local values and beliefs unique to the respective community. Impact fee structure may range from specific and thorough to brief and general (Carrión & Libby, 2004).

Impact fee policies received legal challenges at times when landowners or real estate developers believed that impact fees violated their constitutional rights (Carrión & Libby, 2004). Such challenges occurred because developers believed the use of impact fees took property or resources without sufficient payment and also considered them as an unfair tax (Kolo & Dicker, 1993). Critics of impact fees believed their use to be a “Machiavellian” attempt to prevent growth by local governments and considered them the “bad guy” (Lueder, Cooper, & Greeley, 1996). Real estate and construction coalitions usually opposed impact fees and considered their use unreliable and harmful to the housing industry (Real Estate and Building Industry Coalition [REBIC], 2011).

Legal protocol developed from court cases in order to determine the appropriateness of impact fees. Challenges in the court systems became more frequent as impact fees became more common (Lockhart, 1987). Courts began to assess the legality and reasonableness of impact fees and land contributions (Carrión & Libby, 2004). Two Supreme Court cases, *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard*, shaped and influenced legal inquiry and tests that determine constitutionality and reasonableness of impact fees (Kolo & Dicker 1993, Lockhart, 1987).

The first case review involving exactions by the U.S. Supreme Court took place in the 1987 case of *Nollan v. California Coastal Commission* (107 S. Ct. 3141). In the case, a landowner sought permission to rebuild a lakefront structure on already-owned land. The municipality agreed, with the stipulation that an easement for public access was provided along the shore. The Supreme Court ruled in favor of the Nollan family because the municipality required a land donation for a public right of way without just compensation, which violated the “takings” clause in the Fifth Amendment. The case of *Dolan v. Tigard* (512 U.S. 374) involved the local municipality requiring a local business owner to provide land for improvements to the community unrelated to the impact of the business. The Supreme Court ruled in favor of the landowner.

Courts use a two-part legal inquiry when deciding an impact fee dispute (Kolo & Dicker, 1993). First, the municipality must have policy in place, authorizing the use of

impact fees (Carrión & Libby, 2004). Legal authority may be granted to the municipality through impact fee enabling acts or local impact fee policy (Morgan, 1987). Nicholas (1987) also points out that in the absence of written policy, municipalities can collect impact fees because raising taxes of current residents to finance future residents is unfair to the current population.

The second part of the legal process involves a three-part test that assesses the justification of the policy. The policy must meet state and federal constitutional standards through due process of law, equal protection of law, and the taking of private property for public use without compensation (Morgan, 1987).

First, a court determines if the municipality properly applied policy or authority when using impact fees (Morgan, 1987). The 14th Amendment guarantees due process of law (U.S. Const. amend. XIV). Courts generally uphold the authority of a municipality that has followed policy passed through state statutes or implied at the local level (Carrión & Libby, 2004). Substantive due process determines whether the impact fee(s) appropriately reflect(s) the improvements or additions required for existing infrastructure as a result of new development. Carrión and Libby (2004) also stipulate that impact fees should be used only for infrastructure and capital improvements, not as an unofficial tax.

Impact fees and land dedications must be levied equally to all developers within the municipality. The equal protection test ensures this (Carrión & Libby, 2004). For instance, all four-bedroom homes, regardless of the developer, must have the same

impact fee assessed by the municipality. The impact fees amount needs to correlate with the level of impact. For instance, a greater impact fee may be assessed for homes with more bedrooms. Homes with more bedrooms have greater potential to add more students to the school system (Coursey, 2007).

The takings test refers to whether or not the municipality properly assesses appropriate fees or land and does not “take” from developers. The “takings” clause derives from the Fifth Amendment of the U.S. Constitution and prohibits the government from taking private property without just compensation (Development Planning and Financing Group, Inc., 2008; Switzer, Vanderbilt Law Review, 2009; U.S. Const. amend. V). Most legal challenges by developers or landowners involve “takings” (Schwartz, 2004).

Court Challenges

The judicial system had decided 128 cases regarding impact fees as of 2013. In fact, 98 of the cases occurred after 1990 (“F.A.Q.,” 2013). In Illinois, six court cases decided impact fees, and of those, three involved school impact fees. Of the three cases, the courts upheld two decisions favoring impact fees. (“F.A.Q.,” 2013).

Most often, the courts affirmed the use of impact fees when challenged (Evans-Cowley, 2006). In 1972, *Krughoff v. The City of Naperville* (1972) was the first case in Illinois involving school impact fees involved a developer that protested land dedication requirements for parks and schools according to the Naperville Ordinance. The

ordinance required developers within 1.5 miles of the boundaries to dedicate land or cash in lieu of land for future schools and parks. A developer known as the “K Company” believed that the Naperville Ordinance, known as Ordinance 72-20, violated the “takings” clause of the Fifth Amendment (Krohe, 1978). The developer refused, and the municipality did not allow the development to continue. The courts agreed with the ordinance and the Illinois Supreme Court eventually affirmed the case originally heard in the appellate court of DuPage in 1972.

Two additional cases in Illinois involved school impact fees that ruled in favor of the developer(s). *Thompson v. The Village of Newark* (2002) and *Raintree Homes v. the Village of Long Grove* (2009) presented cases protesting school impact fees that both ruled in favor of the developer. The *Thompson v. The Village of Newark* (2002) case resulted with the appellate court’s reversal of the impact fees paid by the developer because the municipality did not have policy in place to assess impact fees. In the *Raintree Homes v. the Village of Long Grove* (2009) case, the courts upheld the decision to refund impact fees to the developer because the court found the policy unenforceable and violated due process of law.

Nationally, impact fees have received legal challenges as well. One such case of interest occurred in Florida. The Florida Supreme Court decided the case of *Volusia v. Aberdeen at Ormand Beach* (1999). The court ruled school impact fees to be unconstitutional for a retirement subdivision located in Aberdeen (Means, 2005; *Volusia v. Aberdeen*, 1999). The retirement subdivision allowed property owners to be only over

the age of 55; therefore, they would not impact the school system because the master deed stipulated that residents could not be under the age of 18. Mr. Green, the school superintendent, disagreed with the ruling because the residents still had access to schools for community education purposes and benefitted from better property values because of the school system (Sandham, 2000). Also, the potential concern existed that in the future, the community could revise the master deed to allow school-age residents in the subdivision (Means, 2005). This ruling troubled neighboring communities that this might start a trend that other communities could follow (Means, 2005; Sandham, 2000).

Legal challenges and their considerations have acted as a regulator for the manner in which impact fees occur. The court systems and communities have behaved in a socially responsible manner and illustrated the expectation that municipalities, schools, and communities govern themselves in the best interest of the community. Court cases have tested the validity of impact fees and the constitutionality of their use. Various legal tests have resulted from the legal challenges to assess the appropriateness of impact fees. It appears that in the absence of policy or disregard for social responsibility, impact fees and land donations have become more frequently challenged.

Opposition and Imperfections Regarding Impact Fees

For growing communities, impact fees have offered many advantages, in particular, immediate revenue generated for infrastructure. Resources received through impact fees offer a community the ability to construct new civic facilities such as schools,

fire stations, public halls, etc. Though school systems and communities accept the need for impact fees, not everyone shares the same belief. Opponents of impact fees, typically developers and real estate groups, have cited limitations and issues related to them (Kolo & Dicker, 1993). Their concerns have claimed that using impact fees adversely affects the housing market, issues an unfair tax, and out-prices low-income families (Been, 2005; Nelson & Moody, 2003; Scobey, 2007).

Opponents have believed that impact fees significantly increase the cost of new homes, thereby impacting the housing market. Impact fees are paid to the school system, or designated collector, based on local government policy. The cost of the impact fees paid by the developer is typically passed to the purchaser of the new home. Because the price of the home increases when impact fees are added, many developers insist that impact fees impede sales (Staley, 2009). For instance, the school impact fee amount may vary based upon the “impact” a new structure will have on the school system, such as the number of bedrooms and square footage. These factors are considered for school impact fees because each has the potential to increase student enrollment. A four-bedroom home has greater potential to increase student enrollment than does a two-bedroom home: therefore, the developer would most likely pay higher impact fees.

Skidmore and Peddle (1998) report that impact fees reduce growth by approximately 25% when compared to areas without impact fees. Through impact fees, the cost of new homes rise, thereby increasing profit for owners of vacant land but delaying the profit for the developer because the cost has risen due to impact fees

(Skidmore & Peddle, 1998). A study in 2007 of Chicago communities using impact fees found the average impact fee on a new home valued at \$390,000 was \$10,000, yet the final home price increased \$27,000, a 7% increase over communities not using impact fees (Coursey, 2007; Scobey, 2007).

Furthermore, impact fees have been believed to increase the cost not only of new homes but of existing homes as well, resulting in fewer sales because buyers may seek affordable, existing homes, which creates a demand in existing homes, thereby raising the price (Lueder et al., 1996; Nelson & Moody, 2003). The 2008 economic recession and the decline of outward migration to the suburbs further exacerbated this situation (Burns, 2009). Burns (2009) concludes that such trends were not limited to Illinois but occurred in areas across the nation, including the Sun Belt states such as Arizona and Nevada.

In addition to raising home prices, the consensus of realtors has been that the system is flawed because the fees imposed on the developer have elevated sales prices for the buyer; they have considered impact fees to be a hidden tax (Scobey, 2007).

Typically, municipalities do not have developers contribute to the planning of impact fees. Illinois is one of many states allowing impact fees through legislation (Mullen, 2010). School impact fees are considered necessary by school and municipal leaders because tax revenue does not arrive for at least one year, but impact fees are paid before home construction occurred (Lueder et al., 1996). However, developers and critics of impact fees considered their use unfair because existing community members wishing to build a new home in the community have been penalized (Scobey, 2007). As an

additional caveat to impact fees, new construction for existing residents warrants impact fees even though they have currently paid taxes to the school system (Gustin, 2005).

Last, the use of impact fees has been believed to possibly out-price middle-class buyers from certain communities (Scobey, 2007). Impact fees have often limited access to low-income buyers through various zoning procedures because the fees have raised home prices (Been, 2005). Impact fees and zoning procedures that have required larger lot sizes as well as premium construction requirements have strengthened the anti-impact fee argument. However, Been (2005) acknowledges that evidence in the literature regarding the use of impact fees for exclusionary purposes is sparse and contains mixed opinions. Developers believed that impact fees negatively affect the housing market when based on fixed measures such as the number of bedrooms because a lower-priced new home is assessed the same fees as a more expensive one. Fixed-scale impact fees have not been proportionate to the value of the home, and more expensive homes have required a smaller impact fee in comparison to the home value (Altshuler et al., 1993). Altshuler et al. (1993) further contends that “housing costs absorb a greater proportion of income in poor households, so if exactions increased the price of all types of housing by the same percentage, poor households would suffer more than the rich” (p. 108). The weakened economy after 2008 fortified opposition to impact fees, which placed taxpayers in contention with school systems as to who should pay for additional infrastructure (Miller, 2008).

To summarize, the literature available offers critical views regarding impact fees and their use. Developers and real estate agencies hold most opposing views toward impact fees. Though such groups generally disagree with school impact fees, school systems are used as a component to generate sales. In fact, Jerry Rombach, the executive director of the Homebuilders Association of Greater Southwest Illinois stated that builders are absolutely pro-school and know that strong school districts stimulate home sales (Gustin, 2005). Impact fee opposition considers their use to be an unofficial tax and a deterrent for home sales because their use has increased the price of new homes (Lueder et al., 1996; Skidmore & Peddle, 1998).

Current Literature: Conclusion

The literature regarding impact fees parallels financial trends. Financing and land dedication for growth began as exactions in the 1920s and evolved to impact fees in the early 1950s. Communities relied on the revenue generated to create or improve infrastructure. The rise of inflation in the 1970s, an overwhelming negative attitude toward taxation of real estate, and the failed expectation that the government would offset the cost of infrastructure incurred through growth are three foundational occurrences in American history that popularized impact fees (Been, 2005; HUD, 2007). Over time, impact fees grew from adding basic infrastructure such as sewers and roads to the most precious of all resources—students—by raising revenue for school systems. According

to a study in 2000 conducted by the General Accounting Office (GAO), approximately 60% of U.S. cities utilized impact fees (Been, 2005).

The core value of impact fees was seriously questioned and debated by developers and realtors. Such criticism considered their use to be a method to exclude middle- and lower-income families because their belief assumed that impact fee use would raise the price of housing within the community (Wendel Cox Consultancy, 2002). Opponents of impact fees believed that using impact fees raised not only the cost of new construction but of existing homes as well. In contrast, impact fee supporters believed their use was necessary as a tool to help manage growth as a component of “smart growth” (Wilkinson, 2004).

Tax rates and per-pupil funding varies among communities. With that, impact fees vary between states and communities, and court rulings have become more common to determine the constitutionality of their use (Development Planning and Financing Group, 2008). In most court cases, the developers believed that impact fees violated the “takings” clause and served a subtle form of extortion (Switzer, 2009). The literature regarding the relationship between public policy and school policy is limited, and this study provides insight for the need to further enhance institutional partnership between local government policy and school policy.

In summary, the literature review of impact fees presented several themes. First, the use of impact fees occurred more frequently by school systems as a result of community growth in an effort to decrease the tax burden for current community

members. Second, more states created enabling acts that empowered communities to establish and levy impact fees. In some instances, school systems played a vital role in the process and may even have school policy regarding impact fees (McLean County Regional Planning Commission, 2002). Third, the opponents of impact fees believed that their use “out-priced” middle- and lower-income new homebuyers. Fourth, impact fees have become a tool to control growth and help the community keep pace with increasing needs for additional infrastructure. Impact fees provided immediate revenue for infrastructure, and many communities believed that growth should pay for itself. Last, court cases more often settled constitutional disputes regarding impact fees, most commonly as a violation of “takings” from developers. In most cases where policy exists regarding impact fees, the court favored the community levying the impact fee. More communities used impact fees, and this study provides insight and topics that require further investigation.

Theoretical Framework: A Summary

The literature illustrated the role of impact fees filling a financial void to assist schools and communities during growth. Within communities, the existence of relationships among communities, municipalities, and schools came to the forefront. Institutional theory best explained the behaviors and relationships. Changes to the community, school, and municipality occurred in accordance to their relationship, norms/values, and beliefs framed by social responsibility.

The literature also presented considerable information focusing on community expectations and beliefs of impact fees. The limited models of successful, or perceived, impact fees fostered communities, imitation of impact fee planning and structure used by other municipalities. In the Illinois collar counties, mainly DuPage and Will, several communities structured their impact fees by using the Naperville Formula. Municipalities sought the support of the community regarding impact fees. This partnership reflected the expectation of social responsibility among governing bodies. The current available literature revealed a void in the area of unified protocol among states and even counties.

CHAPTER 3

METHODOLOGY

In order to fully investigate the environmental and educational “impact” of impact fees, I examined and compared information from two municipalities that experienced growth and used impact fees. I researched two communities from contrasting areas regarding institutional behaviors and the role of school impact fees. I selected two communities for this project. I carefully and thoroughly examined their impact fees and how the process that the policy for impact fees occurred. Information pertaining to the community and the respective school systems, such as growth rates, additional school and municipal structures, and impact fee formulas, answered the research question and provided insight and recommendations for future community and school policies.

Research Questions

The following research questions guided this study.

1. What effect did impact fee revenue, or its lack, have on facility maintenance, student services, and per-pupil impact in two growing school systems?
2. As a result of community growth, what types of new impact fee policies or modifications to existing policies did the local municipal leadership make?

Introduction

As stated in the previous chapters, this study examined the effect of impact fees on school systems in growing communities. Communities surrounding the Chicago area experienced significant population growth and found themselves challenged to build additional infrastructure (including schools). Local taxes arrived as much as two years after new homes are built. Impact fees provided revenue for taxing bodies, such as school systems, before a new home is constructed. Moreover, impact fees offered communities with immediate revenue for infrastructure without taxing current residents. The appropriate taxing body (schools, libraries, etc.) collected revenue from developers and deposited the monies into coffers for future infrastructure. However, the structure and planning of impact fees varied among communities and revealed complex relationships among the schools, communities, and societies. This study examined the organizational behaviors and the effects of impact fees within two communities.

I utilized a qualitative methodology known as a case study to examine the effect of impact fee revenue, or its lack, on two growing school systems. The results demonstrate the way in which the public (government or municipality) influenced and effected school operations, functioning, and school outcomes. This study may benefit growing areas surrounding the Chicago area or similar areas that may experience significant growth.

This project involved the comparison of two school communities. The cases I created for this study utilized impact fees in response to the significant

community changes that resulted from growth. This study explored various relationships between municipal and school officials regarding expectations of school funding and other aspects of social responsibility. As a result, each constituent involved within the community provided differing expectations and beliefs regarding funding and growth. Also of importance, this study revealed whether or not any changes in attitudes and beliefs between municipal and school officials pertaining to school impact fees and funding occurred. Last, this project examined a school financial tool (impact fees) within the context of two communities, a tool that gained popularity due to growth. In this chapter, various aspects of the method design, data collection, etc., is discussed, as is a detailed rationale.

Case Study Design and Data

I chose a case study method to explore and examine the effects of school impact fees in growing communities. The use of case studies in qualitative research is necessary when a researcher wishes to develop a deeper understanding of a situation or phenomenon that may not present itself through other methods of inquiry (Feagin, Orum, & Sjoberg, 1991). Case studies have been vital for researchers to reveal and contribute to the knowledge of social phenomena, organizational, and institutional events. By utilizing a case study, I reported the characteristics and traits within the communities to maintain an accurate account of events (Yin, 2003). Also, by utilizing case study research, I had the ability to study the communities and gain a holistic understanding (Feagin, et al.,

1991). Last, the use of a case study provided highly detailed attention through research, reconstruction, and analysis (Zonabend, 1992).

Several important characteristics of this project necessitated the use of case study research. First, this study sought to find out how impact fees changed in response to external pressures resulting from growth in the communities. The background of each community provided an historical account of the responses by the school and municipal organizations from environmental changes. Municipalities and school officials offered differing opinions and beliefs regarding the manner in which growth should progress. As the opinions and beliefs may differ between schools and municipal officials regarding impact fees, as I anticipated, nuances within their relationships illustrated the same. I examined each community in this study as a holistic entity and the unit of study.

Various types of case study methodologies exist for qualitative research (Tellis, 1997). In fact, Yin (2003; 2009) identifies three different types of case studies, descriptive, explanatory, and exploratory. Three additional styles of case study are instrumental, intrinsic, and collective (Stake, 1995). Intrinsic case studies are used when a researcher has interest in the case; collective refers to a group of various cases that are studied; instrumental is used when more information needs to be understood that is not obvious to the observer (Tellis, 1997). Tellis (1997) also states that exploratory cases sometimes lend themselves as a prelude to social research; explanatory case studies may be used for doing causal investigations; descriptive cases require a descriptive theory to be developed

before starting the project. Exploratory cases are desirable to determine causes within qualitative research (Stake, 1995). I selected and utilized an intrinsic case study for this project because of my deep interest in school impact fees, finance, and their effects in growing communities. Furthermore, the cases revealed underlying beliefs and attitudes behind the actions and behaviors of the organizations. Based on the nature of this project, I gathered information from members of municipal and school leadership. Furthermore, my role as a researcher was to interpret participants' expectations, beliefs, and norms regarding impact fees.

In addition to the varied types of case studies, Yin (2009) refers to four case study designs. Case studies may involve multiple cases or a single case. Furthermore, a case itself may be holistic (single unit of analysis) or embedded (multiple units of analysis) (Yin, 2009). A single case design is used when an extreme phenomena is studied. Multiple case designs serve to illustrate contrast or similarity between or among cases based on a theory. An embedded design is used when there is additional data to be examined. This study utilized an embedded design because the school system and community leadership were examined within the realm of the community as a whole. For this study, various sources, such as impact fees, class size, school outcomes, equalized assessed value (EAV), and population, served as variables. These data offered important aspects involved with growth, and I illustrated the relationships between schools and municipalities regarding beliefs and norms/values concerning impact fees through elements of analysis.

Site Selection

I referred to census data to comprise a list of communities that experienced growth since 1990 in Will County, Illinois. In addition, I considered factors such as total population and proximity to Chicago. Communities beginning with a small population may grow by a large percentage, yet the net gain may be relatively small when compared to a community beginning with a significantly larger population. After observing municipalities with the largest populations or highest growth rates, I honed the list to four municipalities after noting communities that illustrated similarities for acquiring data. With four communities remaining, I considered additional documentation such as recent newspaper articles involving community growth, school funding issues, school construction, and school impact fees, to arrive at two communities for the study (see Appendix B).

I examined the communities thoroughly in order to identify potential respondents. I also investigated municipal and school spending patterns, construction projects, and other responses made by the systems since 1990. As a result, I hoped to identify core beliefs and values of their organizations reflected by decisions that occurred. Members of the school system and municipal administration served as primary respondents. The school system and municipal administrators provided importance to this study because each possessed unique insight pertaining to impact fees and organizational behaviors during growth.

I used a multiple case design with embedded elements for this study to illustrate similarities and differences among communities, as well as between their respective municipalities and schools. The cases reflected different value systems pertaining to social responsibility, which became apparent by studying their decisions regarding the manner in which the school and community systems responded to growth. The communities selected possessed their own uniqueness regarding beliefs and values but shared the following commonalities:

- Both communities were located in Will County, Illinois.
- Both communities reported significant population growth between 1990 and 2000 (over 50%).
- Both communities utilized school impact fees.
- Both school systems added infrastructure (schools) as a result of growth.

The communities and schools selected were at different stages of growth and located within a 15-mile proximity of each other. Pleasantville (pseudonym) had begun to grow rapidly since 1990 and housed 73,366 residents as of 2010 (Manchir, 2011; U.S. Census Bureau, 2013). Misty Hills (pseudonym) may be seen as a 10-year younger image of Pleasantville because Misty Hills experienced growth after 2000. Misty Hills noted a population of 3,330 residents in the 2000 census, an increase of 61.7% since 1990. This figure more than doubled as of the 2010 census, totaling 7,051 residents (Golab, 2011). Even though Pleasantville increased its population far more than Misty Hills, the population of Misty Hills is almost identical to Pleasantville 10 years earlier.

Research Design and Data Collection

This study utilizes a pre-structured multi-site case study design. Pre-structured case design presents in-depth characteristics fundamental to the respective organization (Feagin et al., 1991). A pre-structured case serves as a blueprint, which effectively steers the process of data collection and analysis (Miles & Huberman, 1994). Using this particular design was important for this project because each case needed to present in-depth details, and I followed specific case study outlines for data collection. Both communities involved with the study were involved at different stages of growth; therefore, I observed various similarities and differences. I collected data from each case by obtaining information from individuals of the school/municipal leadership through interviews, school/municipal financial records, minutes from meetings, construction plans, school report cards, etc. By using the aforementioned pre-structured case, the process directed my data collection and allowed me to have the data thematically structured, fortifying my understanding and interpretations.

I developed a pre-structured case outline to gather information regarding several aspects of the community organizations (see Appendix C). First, I studied and discussed the background of the school and community, indicating growth trends, demographics, and community type (blue-collar, executive, or impoverished). Second, I researched existing impact fee policies as well as municipal and school leadership norms/values of impact fees and funding expectations. Third, I examined school system and community conditions that may have changed during growth. This included various

aspects of school operations such as financial, construction, mobility rates, enrollment trends, etc. Last, through the environmental shifts and pressures related to growth and the recession after 2008, I revealed school and municipal responses throughout the process and illustrated how their respective values/norms steered their decisions.

I sought numerous forms of data in order to achieve the full perspective of the relationship between schools and municipalities and their respective expectations regarding school impact fees. Case studies need numerous data sources to supply the highest level of detail (Zonabend, 1992). This study requires information pertaining to municipal and school policy, financial records, growth rates, infrastructure changes, and impact fee structure and planning. In order to make inferences regarding the partnership (or its lack) between municipal and school leadership as well as changes pertaining to the use of school impact fees, I needed to access the previously mentioned data.

In light of the above-mentioned data needed for each case, this study utilized interviews and document analysis as the methods of data collection. I gathered and examined various documents and records to understand the community and school policy and structure of impact fees. I anticipated the ability to acquire many of the needed documents through Internet sources and verbal requests. Last, I interviewed municipal and school leaders to understand the relationships and hopefully to discover underlying attitudes held toward impact fees and growth. The initial interviews involved former leaders, to seek an historical understanding of the school and municipal organizations and gain perspective as to how decisions occurred. After this, my interviews focused on

current leaders and/or personnel who were most familiar with finances, impact fee policy, and other decisions made that resulted from growth.

Documentation

An important aspect of management for schools or municipalities is proper archiving of documents and records. Governing bodies maintain records as required by law and, in most cases, have them available for the public to review. The collection of important archival records and interviews played a vital role for this study, as well as many projects, because of the detail required for case study research (Tellis, 1997; Zonabend, 1992). Yin (2009) states that “documentary information is likely to be relevant to every case study topic” (p. 101). The use of documentation offered this study several important facets of data. First, it provided me with a foundational understanding of each community’s policies and conditions. Second, data retrieved from reports and documents proved vital to verify information that I acquired from other informants and interviews. Documentation should not be assumed to be totally accurate but to serve as a means to tie in information from other sources (Yin, 2009). Also, I could formulate new questions for interviews based on information contained in various documents.

The documentation I used for this study included numerous school, municipal, state, and federal items. The forms of documentation I used included school report card data (demographics, enrollment trends, class sizes, student outcomes, etc.), district budgets, school district levies, tax extension reports, school board agendas, and

construction reports. In addition to school documents, municipal data included village board meeting agendas, policies (building codes, impact fees, covenants etc.), and budgets. In addition to these types of documents, I used other documentation such as census figures, newspaper articles, and community newsletters. This information helped verify data from my interviews and required further subjects to interview.

Interview Subjects

Municipal and school district personnel served as vital subjects because each provided an in-depth illustration unique to their respective background. School district personnel contributed information and insight unique to the school system. Data pertaining to specific aspects of school operations, such as outcomes, class sizes, school construction, and fiscal characteristics, provided important data for the case, and school district personnel best addressed this perspective. Superintendent and school business manager interviews obtained this information specific to each district. However, these positions served as a starting point, and school interviews extended beyond the original positions when necessary.

I estimated that this study would require between two and three subjects from each school system and municipality, totaling between 8 and 12 subjects. After interviewing these initial subjects, it became necessary to interview previous school officials and employees. The school systems underwent various changes during growth

and the recession after 2008, as well as personnel changes. The make-up of the school district leadership changed considerably over a 10-year period; hence, beliefs and values also changed. Therefore, I believed it to be imperative that this study sought additional subjects, such as retired employees. In similar fashion, I sought and obtained data important and unique from the municipal personnel's perspective. In the end, I collected data from 12 respondents.

Interviews

Interviews served as one of the most important sources of this case study information (Yin, 2003). The process of interviewing subjects provided rationale for the cause of decisions and why certain beliefs and values existed. However, I cautiously framed all questions. I did so because questions seeking *why* may place an interviewee in a defensive mindset; therefore, Becker (1998, cited in Yin, 2009) recommends that in such cases, interviewers frame their inquiry as a *how* question. The candidates I interviewed all had experience within the organization, and I focused the questions according to my research questions. This type of interview format I used for this case study was a *focus interview* (Merton, Fiske, & Kendal, 1990, cited in Yin, 2009). I believe that this style of interview best suited this case study because it followed a specific questioning protocol yet allowed for open-ended dialogue for follow-up questions and explanations.

Using a focus interview secured comparable data from each case because I used

the same line of questioning. Because the process interviewed two different types of subjects from each community—municipal and school leaders—I utilized two protocols. The background and nature of school and municipal personnel differ greatly, thereby necessitating two unique sets of questions. The first protocol (see Appendix D) was designed for school district administrators such as superintendents and business managers. The second protocol (see Appendix E) was used for municipal leaders such as village planners, administrators, and community board members. The case study protocols that I designed sought information pertaining to the communities and their respective school systems regarding school conditions, impact fee structure, and collaboration (or its lack) between school and municipal leaders.

I recorded and examined the data pertaining to direct facts such as financial, demographic, and policy questions during the interviews. I anticipated facing greater challenges seeking underlying attitudes, norms/values, and beliefs regarding educational funding between municipal and school officials. To compensate this challenge, I utilized a method with which, according to Yin (2009), I could carefully craft my questions so the subject would be at ease to provide meaningful feedback, yet as the researcher, I would appear genuinely naïve about the topic. Through this, open-ended questions provided richer and more in-depth information for the study. Furthermore, I solidified previously acquired information from documents and archival data.

Throughout the interview process, I remained consistent through the use of the above-mentioned protocols. However, further investigation and questioning

proved necessary as similar themes emerged among interviews. As stated earlier, the number of subjects increased slightly as a result of initial candidates recommending others; therefore, the original number of subjects was initially difficult to determine (Bogden & Biklen, 1998). I digitally recorded each interview with written consent and compose notes. At times, I needed to have responses clarified, at which time I referred back to the subject. Following the interview process and examining the required documents ensured data validity.

Data Analysis and Techniques

The strategy used for case study analysis was vital in order to allow the data to illustrate the story behind the research. In addition, Yin (2009) states, “The story differs from a fictional account because it embraces your data, but it remains a story because it must have a beginning, end, and middle....The strategy will help you treat the evidence fairly, produce compelling analytic conclusions, and rule out alternative interpretations” (p. 130). The previous sections in this chapter detailed the manner in which this study describes the subjects for interviews and the types of documentation. These factors served as the foundation for data analysis and, when combined with the theoretical framework and research questions, further honed the manner in which data analysis occurred. After data collection, I organized the data according to the case study outline.

The most preferred strategy for data collection is reliance on theoretical propositions (Yin, 2009). This method followed the assumptions or propositions that led

to this case study. The propositions helped craft my research questions and shaped my data collection. This strategy helped direct my research and left room to consider alternate explanations to check. Theoretical propositions guided the data collection and helped identify what type of data to seek. This strategy also helped formulate my line of interview questioning in terms of how and why. I chose this strategy because the theoretical framework and research questions guided the process.

Cross case analysis is an analytic method designed specifically for research methods studying more than one case. Utilizing a cross-case analysis assessed and examined large-scale themes that were indicative in each case. Each case was treated as an independent study, and the data collection technique was the same for each case. By using the same techniques, patterns emerged, as did similarities/differences between the cases. I analyzed the data by using reliance on theoretical proposition and cross-case synthesis as the technique. This allowed themes and relationships to present themselves for rationale, mitigating the manner in which school impact fees changed.

Reliance on Theoretical Propositions

The data were gathered and organized according to reliance on theoretical propositions. Environmental shifts such as growth, economic shortfalls, and institutional attitudes affected organizational behaviors and served as a theoretical proposition for this study. Community organizations such as schools and municipalities have underlying

beliefs as to how school funding should occur and the role impact fees play. Both statements are examples of theoretical propositions for this study.

This study examined relationships on several levels within a community. Data collection focused on specific community documents, including impact fee policy, population trends, school construction and educational outcomes. Many other forms of documentation exist in school and community organizations such as crime rates, traffic violations, etc., that would have had no importance to this study. Relying on theoretical propositions focused the document search to relevant information, avoiding unrelated data. The strategy also pinpointed the type of respondents and the line of questions for interviews. School systems and municipalities have numerous members and employees within their organizations. This project researched how and why organizations acted as they did in response to environmental shifts. The propositions narrowed the selection of candidates to a pool of personnel familiar with financial and policy decision-making within the systems.

This study examined the effect of impact fee revenue on two school systems and the responses made by schools and communities during growth and economic challenges. This study pertains to organizational relationships and behaviors during growth. It examined relationships between municipal and school leaders, values and norms (organizational behaviors), reciprocal expectations, and social responsibility. Such relationships and behaviors paralleled institutional theory and isomorphism and explained the data and the nature of such relationships. The theoretical propositions guided the case

outline and charted the data from each case. Each case organized data according to three thematic reference points. Each case outlined an historical overview of the community. The historical background illustrated growth trends, economic patterns, geographical location, and a non-exhaustive detail about the community. Second, each case described both the school and municipal background detailing the changes, responses, and decisions that had occurred since 1990. Last, detailed changes and modifications of impact fee policies that occurred within each community was detailed. By utilizing reliance on theoretical propositions, I organized the data thematically according to the case study outline.

Furthermore, I observed and researched the amount of time a community had been growing. Relying on the themes presented by the data and the theoretical framework, I formulated explanations as to the causes of why and how these specific organizations behaved and made decisions as they did, but this was not meant to generalize other organizations or communities. I anticipated that if any changes occurred in norms/values during community growth, then similar findings would present themselves in the data. In fact, I speculated that if a community were to increase partnership between schools and municipalities during community growth, then a positive result should occur in the school system. This fortified the explanation as to why leadership acted (or failed to act) as they did. Through this, the study revealed the importance of collaborative relationships between school and community expectations,

norms/values regarding impact fees, and, more important, the value of reciprocal social responsibility.

Cross-Case Analysis

This study examined and compared two communities. One particular trait that I compared was the level of collaborative planning and dialogue for impact fees and growth. Because each community found itself in a unique stage of growth, I found differences between the levels of collaboration. I noted such variances in my comparisons to highlight the importance of reciprocal partnership between municipal and school leadership. Comparing and contrasting the manner in which impact fees became implemented and structured, I suggested some practices for more beneficial school impact fees, community/school collaboration, and areas for further investigation.

More important, by assessing important aspects of impact fees, various institutional themes and attitudes that were significant to the decision-making process appeared through the manner in which the organizations behaved. Community growth was ongoing; though economic shortcomings after 2008 had stifled growth, it began to rebound. By observing various common themes, norms/values, and expectations, I made propositions to offer an explanation behind the rationale created by institutional themes, such as social responsibility, school finance, reciprocal expectations, and collaboration.

Data Presentation

After collecting and analyzing the data, I presented the data according to the following process:

1. Discussion of each community and school that presented the background, information and trends, noteworthy aspects and nuances, and underlying themes and attitudes toward impact fees that afforded explanations as to why and how impact fees were structured.
2. Discussion of explanation building and cross-case analysis in order to illuminate larger institutional patterns and themes within each community that offered rationale behind the planning and structure of impact fees.
3. Discussion of suggestions for more beneficial school impact fees, community/school collaboration, policy, and suggestions for further research.

In conjunction with these discussions, I incorporated relevant data displays that highlighted institutional relationships identified through the analysis.

Reliability and Validity

Case study research is considered to be a triangulated research strategy due to the level of data confirmation and cross-referencing between data sources (Tellis, 1997). I triangulated the data through the use of multiple data collection strategies in order to fortify reliability and validity. Patton (2002) indicates four types of triangulation: data, investigator, theory, and methodological. As assumed with this study, I served as the

primary collection instrument. The nature of this study contained some aspects of subjectivity because it relied on previous attitudes and beliefs and, therefore, required additional precautions to ensure validity. To ensure validity, I utilized various data collection methods, including interviews and document analysis. In addition, I acquired data from various sources of data such as archival data, documents, current leadership, and past leadership. Using varied data sources and methods is referred to as a convergence of evidence (Yin, 2009). By using varied sources of data and methods, I strengthened the validity and reliability (confirmability).

Conclusion

This project studied the effects of school impact fees in school systems. The impact fee literature reveals challenges that the two-year tax-gap between the time when new students arrive and when tax revenue arrives. The revenue from impact fees usually serves two purposes. Its use helps purchase land for schools or helps construct schools. However, impact fees do not fund operational costs, such as hiring new teachers, supplies, etc., during the tax-gap and may challenge school systems financially. Impact fees gained popularity in growing communities during times of rapid growth. The opposite occurred after the housing market collapsed in 2008 and growth virtually stopped. Therefore, impact fee policy noticed cost reductions and, in some areas, was cancelled altogether.

Institutional theory and isomorphism served as the theoretical framework for the

literature. Policy changes occurred in response to environmental shifts such as increasing growth and economic challenges. These types of external pressures forced systems to change. Changes occurred according to underlying beliefs harbored by the organizations. The manner in which such policy change occurred followed the relationships within and among school systems, municipal leaders, and the community. Each organization presented beliefs regarding school funding and growth. Furthermore, this research attempted to learn about the causes of the responses and actions that the organizations chose. The case studies also described institutional behaviors and fundamental expectations that drove responses that were made regarding challenges during growth and funding shortfalls.

Reliance on theoretical propositions guided all facets of the case study, such as site selection for the case study and research questions developed from the propositions. Furthermore, the research design and data collection followed the same. The research design followed pre-structured case outline, and data collection pulled information from various forms of previous mentioned documents and subject interviews. Furthermore, the design organized the data thematically for each case, then analyzed them by using a cross case comparison. Reliance on theoretical propositions served as a compass for many facets of this study. This study did not intend to generalize all growing communities but rather to raise awareness and infer various decisions that community and school leaders can utilize when addressing impact fees. This study provided questions for further research.

CHAPTER 4

DATA AND FINDINGS

Introduction and Purpose

This project studied the effects of impact fees in two growing school systems. Impact fees became more commonly used in the Chicago collar county areas when those communities grew during prosperous times. The economy and housing market faltered after 2008; thus, revenue from impact fees declined because new housing virtually ceased. Impact fees require financial payments or land donations from developers to municipalities to help school systems better manage growth. This pre-structured multi-case study sought to answer the following research questions:

1. What effect did impact fee revenue, or its lack, have on facility maintenance, student services, and per-pupil impact in two growing school systems?
2. As a result of community growth, what types of new impact fee policies or modifications to existing policies did the local municipal leadership make?

This chapter presents the data and findings collected through interviews and archival document analysis. This project studied two communities and schools, utilizing case study research, according to a four-part process. First, I selected communities and their respective school systems based on the criteria outlined in Chapter 3. Second, I conducted a review of relevant documentation and archival data. Next, I interviewed

personnel within the school systems and municipalities, which included superintendents, business managers, and community administrators. In what follows, I offer case descriptions of each municipality and school system, detailing their historical chronology, and their responses to growth by the municipal and school leaders, including the role on impact fees in growth management and school funding.

Misty Hills, Illinois (pseudonym)

Introduction and History of Misty Hills

This case details the changes of the Misty Hills School District resulting from population growth, economic challenges, and the role of school impact fees. This case study outlines and details the background and history of the municipality and school system from its founding year through the time of this study. The study hones in on the period from the 1990s through 2013, when rapid growth and economic setbacks (2008) occurred. During this period, the community and school system underwent significant leadership changes, economic challenges, and changes to the impact fee schedules in response to external pressures and shifts.

Misty Hills, Illinois, located in Will County, is approximately 35 miles southwest of Chicago. The construction of a shipping canal and a large railroad in the mid-1800s drew many new residents to the area that became Misty Hills. In 1886, the village became incorporated, and, as in many neighboring communities, farming and railroad

commerce served as key staples for the local economy for approximately 100 years. According to U.S. Census data (2013), 393 residents lived in Misty Hills in 1900. The number of residents gradually increased with the railroad and shipping economy, and by 1960, Misty Hills housed 1,117 residents (U.S. Census, 2013).

Between 1960 and the late 1980s, the population in Misty Hills remained fairly stable. Growth began to follow the housing sprawl created by residents leaving the Chicago area for nearby suburbs (Rosenberg, 2003; Vail, 2000). Misty Hills was an attractive destination because the location was far away from the city, yet nearby highways and a train in a neighboring village made commuting to work convenient. In 1990, the population reached 2,059 residents (U.S. Census Bureau, 2013). Growth continued through the 1990s, and according to the 2000 U.S. Census, the population reached 3,330 residents. During the 2000s, the population more than doubled, and the 2010 census report indicated a total of 7,051 residents. Growth trends continued, as well as in Will County, which became one of the fastest growing areas in the country (Lafferty, 2011; Manchir, 2011; U.S. Census, 2013).

The lower cost of new homes in Misty Hills attracted more new residents than the neighboring communities. In fact, a new home valued at \$150,000 in Misty Hills during the 1990s would cost approximately \$50,000 more in the neighboring communities (HUD, 2014). The thriving housing market of the early 2000s witnessed a significant increase in population in Misty Hills between 2000 and 2008, when several new subdivisions began

construction (U.S. Census Bureau, 2013). Noting a 20-year U.S. Census span (2013), 1990 through 2010, Misty Hills incurred a 242.4% population increase. In 2013, the demographics of Misty Hills reported 95.0% White, 3.6% Hispanic, .4% African-American, .4% Asian, and .6% other.

Misty Hills School District (pseudonym)

History

The township supervisor established eight separate school districts in 1870 and thus founded the Misty Hills school system. Each school district resided in a one-room schoolhouse, being the norm in the 1800s. During the formative years of the school district, students attended the one-room schools so they would not have to travel more than two miles. In 1906, the school district purchased eight lots from a developer for \$800 and constructed a two-story brick school to accommodate the increasing population due to the thriving rail industry in the village. In 1915, the district built two classrooms and a band room. The school district purchased additional property behind the school for an athletic field in 1925 for \$2,500.

Will County's population approached 170,000 residents in 1950, more than doubling the 1900 mark of 74,764 residents (U.S. Census, 2013). In 1951, Will County began to study the possibility of consolidating one-room schools (Misty Hills Historical Society, 2008). Misty Hills School District merged

with five neighboring school districts in the township. Three other school districts were absorbed into a larger district south of Misty Hills. The original two-story school building was demolished in the 1960s and replaced with a modern structure featuring an office complex, cafeteria, and kitchen. The school system continued to be housed in the single school building until the 1990s.

The student population of the district during the mid-1990s approached 700 students. The school system needed to expand in the 1990s to accommodate new students as the community continued to grow. In 1990, the school population reached capacity and sought a solution to address over-crowding. In 1992, the school district purchased 20 acres of land for \$160,000 for a future junior high. A referendum to construct the school passed in the fall of 1993, and construction began the following spring. The 60,000 square-foot building opened for students in the fall of 1995. In 1995, the district consisted of an elementary school, serving students in kindergarten through Grade 5, and a junior high school, serving students in Grades 6 through 8. The Misty Hills school system was the only public elementary district associated with the village.

Onset of Growth: Mid-2000s

The new millennium brought significant changes to the school system. First, the school system constructed a new school, added additional staff, and expanded extra-curricular offerings. Second, school finances fluctuated with the economic climate of the community. Home sales thrived through 2008, and property values rose, providing more

revenue for the schools. However, when the economic trends declined after the housing market collapsed, the opposite occurred.

Misty Hills grew through the 2000s, and the school system needed to expand. Several new subdivisions were planned where farmland existed. Numerous developers found Misty Hills ideal because of the strong school system and affordable land compared to the neighboring communities. In 2002, the elementary school faced overcrowding, and a school site was dedicated to the district through in-kind impact fees from a subdivision developer. In 2003, the school system deemed it necessary to use the 13-acre parcel donated as a site for a new school.

In the fall of 2006, a new elementary building opened for students in kindergarten through second grade. At this time, the district served approximately 1,300 students and was faced with the potential of the student population increasing to 6,000 students in a 10-year period. The enrollment projection was based on a study initiated by the school system that researched the number of approved developments by the village. The district purchased additional parcels for future school sites based on the growth trends at that time. The largest acquisition was a 37-acre section adjacent to the junior high school that could eventually serve as a campus for future school sites.

In 2007, the school system began plans to address the population in the junior high. The growth in the community found the junior high school reaching maximum capacity of 450 students in the mid-2000s. In 2007, the superintendent and two school board

members formed a planning committee that met with architects and engineers to prepare for a two-story addition to the junior high that would accommodate a student population more than twice the size of the current capacity of 500 students. The plans to add to the junior high stopped in 2009 following the housing market collapse.

The student population of Misty Hills Schools grew considerably between 2000 and 2010. However, the demographics had changed only slightly. In 2013, the demographic make-up of Misty Hills Schools was 88.8% White, .2% Black, 8.9% Hispanic, .3% Asian, and 1.8% other. The growth rate for Misty Hills averaged 4.4% per year between 2000 and 2010. In 2000, the school system served 834 students, and reached 1,247 students 10 years later. In 2013, the enrollment reached 1,336 students.

Municipal and School Respondents

School System Governance and Respondents

Seven elected school board members and the superintendent governed the school system. The members of the school board changed slightly over the past 20 years, keeping a constant a core of four members, which eased transition. In 2006, the system expanded to three school buildings. A junior high and two elementary schools made up the district.

The school system utilized a small administrative staff. The superintendent oversaw the district, and a building principal oversaw each school. The principals had to assume many additional responsibilities because the district did not have administrators

overseeing business, curriculum, special services, discipline, etc. In 2007, the district added an administrator for curriculum and special service operations. However, the district eliminated the position in 2010 because of funding shortfalls in the school system. In 2013, the district added a position for a director of special education.

The school district offered a traditional curriculum and extra-curricular offerings for students. The academic programming offered standard curriculum in accordance with state standards, as well as additional support for students with special needs. Furthermore, students who excelled were offered advanced courses for reading and math. The school system offered a standard interscholastic program affiliated with the Illinois Elementary School Association (IESA). Historically, the musical and fine arts options for students have included choral ensembles, drama, orchestra, and band.

For this case, I interviewed three individuals from the Misty Hills school system. I specifically chose administrators and personnel with knowledge regarding school finance, impact fees, and growth. At the time of this study, the school system employed four administrators. Of the four, only the superintendent possessed familiarity with finances and impact fees. The three remaining administrators served as building principals and did not have knowledge regarding impact fees, district finances, and growth. With that, I chose to interview the superintendent, Mr. Green (pseudonym), who retired during this study; a prior administrator from the district, Dr. Smith (pseudonym); and a bookkeeper, Mrs. Jones (pseudonym). The respondents had over 50 years of combined experience in

the school district. All three were selected because of their experience in the school system and their knowledge regarding district finances and impact fees. Furthermore, the respondents' experience with the school system included the time preceding growth through the time of this study.

Dr. Smith served as the superintendent for over 20 years until his retirement in the early 2000s from Misty Hills. He received his undergraduate and master's degrees from a state university. Prior to entering administration, Dr. Smith was a high school math teacher in southern Illinois. After teaching for two years, Dr. Smith was hired as a principal in a local county school system neighboring Misty Hills. He held this position until he accepted the superintendent position in Misty Hills. Dr. Smith did not reside within the community but maintained close working relationships with the village trustees. During his tenure, the school system began as a one-building school system and evolved into an elementary school and a junior high.

Superintendent Green (pseudonym), a veteran educator with 34 years experience, began his career in Misty Hills as principal when the district served all grades in one building. Green became the superintendent for approximately 10 years after Dr. Smith retired. Green was employed by the school system for over 20 years. Green received his bachelor and master's degrees from a state university in physical education and educational leadership. Before his employment in the Misty Hills school system, Superintendent Green had been a teacher and administrator for the first 10 years of his

career, after which he was hired as the principal of the Misty Hills school system, when the district was contained in one building. He was appointed as superintendent years later, after serving as a principal. The school system grew from one school site to three sites during his employment in the district.

Mrs. Jones worked closely with the superintendent as the bookkeeper for over 20 years and worked with Dr. Smith and Superintendent Green. Because the superintendent governed the district without a business manager, the bookkeeper employed facilitated the financial operations of the district. Mrs. Jones held employment in two districts in the finance department prior to Misty Hills. She received her finance background from local college and held a master's degree in business.

Municipal Governance and Respondents

The municipal organization of Misty Hills contained a board, a building commissioner, a village administrator, and a finance director. I utilized criteria for candidate selection based on the type of information that the case study sought to find. The case studied how the municipality responded to growth, changes to impact fee policy, and decisions made when economic challenges occurred. Based on the aforementioned purpose of the study, I selected candidates who possessed intimate knowledge of impact fee policy, village finances, and growth planning. The three municipal respondents consisted of two mayors and a village planner. This selection seemed appropriate, based on their roles during impact fee revisions and community

growth. The respondents came from varied professional backgrounds and maintained various responsibilities and positions within the community. Furthermore, the respondents had resided within the community long enough to offer a rich perspective of the changes the community had experienced during growth. Each possessed a different professional background and provided an in-depth description of the community history, changes, and rationale regarding impact fees and growth.

Former Mayor Fields (pseudonym) won two mayoral terms and was educated in accounting and public relations. His career began as an account representative in a large Chicago-based firm in the public relations department. Mr. Fields also served as the president of his own public relations firm. Furthermore, he oversaw another company that managed, purchased, and built apartment buildings and rental units. The company owned units in several local villages. Last, Mr. Fields served on the school board of Misty Hills for six years prior to being elected as mayor in 2005. Field lost a third term bid in the 2013 election.

Mayor Doe (pseudonym) followed an interesting political path in the community. Doe is a lifelong resident and had served the community in numerous roles over the past 23 years. Doe began his service on the village park board, serving for six years and becoming the vice-president of the committee. His uncle served as mayor in the town for 22 years and helped him learn more about village government when he served on the village planning commission, of which he was a member for six years. Doe won three terms as mayor of Misty Hills, spanning 12 years. He lost a fourth mayoral term in 2005,

after which he won a trustee seat in the 2007 election. Mr. Doe regained the mayoral helm in 2013, defeating Mayor Fields. Mayor Doe received training in grant writing as well as village planning from local community colleges. Furthermore, he attended leadership seminars and advanced leadership courses at the University of Illinois. In addition to his service to village government, Trustee Doe served as a volunteer fireman and community activist throughout his adult life in the village.

Commissioner Builder (pseudonym) had been associated with the village of Misty Hills since 1988 when he served on the village planning and zoning committee. He assumed the role of building commissioner in 1990, a role that he held for over 21 years. Commissioner Builder received thorough training in village building and planning through local college, as well as 20 years experience with corporate marketing. Builder was a certified building inspector, building official, mechanical inspector, and planning and zoning inspector. Furthermore, he witnessed the community's considerable growth during his service, as the community grew from about 3,000 residents in 2003 to over 7,000 in 2008.

Economic Shifts: Leadership Changes

The year 2000 began a decade that witnessed a great deal of economic shifts and challenges to the municipal leadership of Misty Hills. The population of the town rose from 3,330 in 2000 to over 7,000 within seven years (U.S. Census, 2013). Impact fees became more commonly discussed among the school and community leadership,

according to municipal and school interviews. The thriving housing market drew attention to policy deficiencies regarding impact fees, mitigating the need for impact fee policy revisions, according to Former Mayor Fields in 2012. The mayoral seat changed twice as the economic climate of the community shifted.

Interviews revealed that in 2003, Dr. Smith, a currently retired superintendent from the school district, and a village building commissioner, believed that the population increases that occurred in the early 2000s created concerns within the community due to outdated impact fee policies. Archival records report that in 2004, the community planning commission faced numerous tentative housing subdivisions, which could have potentially increased the population by 500% within a seven-year period. In fact, one particular planned subdivision, Sunny Brook (pseudonym), projected to add 9,000 residents within six years to the community. Former Mayor Fields elaborated Dr. Smith's statement during a 2012 interview that impact fees had not been adjusted since their first use in 1996 and were "woefully inadequate for the task (growth) at hand and only helped schools get land. There was no help to build schools the way impact fees were set up."

In 2004, news regarding the tremendous growth of Sunny Brook, as well as the 15 other potential housing developments, and the potential to overcrowd the schools traveled throughout the community. After the information about potential growth spread within the community, a group of concerned citizens requested an informational forum to meet with West Builders (pseudonym), the developer of Sunny Brook, and municipal

leadership regarding how the community could accommodate such an increase in population, according to Former Mayor Fields. The junior high school held the forum in 2004, and according to Former Mayor Fields, “There was standing room only.” As a result of the public response, West Builders, Mayor Doe, and the village trustees agreed to postpone the construction of Sunny Brook. The three respondents mentioned that the community’s opinion of growth became polarized between “current” and “new” residents. Current residents, individuals having resided in the community prior to growth, seemed guarded and upset by growth’s potential impact on their small community according to a 2012 interview with Commissioner Builder. Commissioner Builder also stated that, in light of the concerns regarding growth, Mr. Fields challenged Mayor Doe in the 2005 election because Mayor Doe and the village board did not proactively seek policy revisions during growth.

The 2005 spring election heralded change in the make-up of the village trustees and focused their attention on growth. Misty Hills elected Mr. Fields as their mayor, replacing Mr. Doe. Furthermore, three trustees won seats on the board of seven trustees, defeating the three incumbent seats up for reelection. The growth in the community prompted the need for a village administrator position. In addition, Mayor Fields and the trustees created a village administrator position to research growth in other communities. The municipal leadership took action to address the community challenges related to growth. Mr. Fields said in a 2005 press release, “We [Misty Hills government] need to seek a solution for the unbelievable growth rate in our town and protect the integrity of

our schools.” The mayor formed a citizens committee comprised of municipal leaders, school officials, and community members to analyze community growth and its impact on school conditions. The committee summarized policy strengths and weaknesses and made recommendations for improvement.

Among the first jobs the new mayor and village trustees undertook was the restructuring of impact fees. In 2005, the small, yet growing community, housed five subdivisions and faced approximately 16 additional developments that could potentially increase the residential population from about 4,000 in 2005 to over 16,000 when completed. Mayor Fields believed that in order for the village to plan, research, and implement revised impact fee policies, the village board needed to initiate a “voluntary on-hold” for builders, according to a 2012 interview. The developers complied with the village’s proposal to halt construction. In a June 2012 interview, Commissioner Builder explained, “The developers were asked to ‘voluntarily’ halt construction or have the trustees vote to have their construction halted.” Later in the same interview, he added, “This [voluntary on-hold] was done so the new mayor and trustees could gain deeper understanding of how the building and construction policy functioned.” Future policy changes occurred as a result of the village’s research and are detailed in a later section of this chapter.

The “voluntary on-hold” received mixed emotions among the trustees about the effectiveness of the plan. “This helped the village gain some breathing room,” according to Commissioner Builder in a 2012 interview. However, members of the prior leadership

expressed the opposite. Mayor Doe, who lost his seat in 2005, said in a September 2012 interview, “This [voluntary on-hold] was one of the worst things for our village.” Doe believed that the “voluntary on-hold” occurred during one of the heaviest construction peaks in Misty Hill’s history and numerous businesses that might have come to Misty Fields changed their minds. “When there is no construction, there are no impact fees,” Mayor Doe concluded during the same interview.

History of Impact Fees in Misty Hills

Impact fees in Misty Hills underwent various changes that reflected the economic and housing climate of the community. Mr. Builder said in a 2012 interview, “The impact fees of Misty Hills follow the Naperville Formula.” Homes with more bedrooms typically house more residents, and the leadership in Naperville, Illinois created an impact fee policy to address this. In 1976, Naperville, Illinois created the first impact fee schedule based on the number of bedrooms in a house. The idea was that the number of bedrooms was seen as indicative of the number of students who could potentially attend schools. Four-bedroom homes have greater potential to have more school-aged children than a two- or three-bedroom home would. Therefore, a home with more bedrooms requires higher impact fees. This section details how impact fees changed during growth in Misty Hills.

Misty Hills used annexation agreements to authorize and collect impact fees

and/or land donations from developers. An annexation agreement is local policy that adds developments and stipulates impact fees for the developers. “An annexation agreement is, in fact, a contract between developers and the local government,” according to Mr. Fields. Furthermore, municipal leadership can use annexation agreements for additional requirements to provide or enhance amenities such as parks, roads, schools, and libraries. In essence, an annexation is a “contract” between the developers and municipality to which both parties must agree before construction may occur. In fact, it is not uncommon for annexation agreements to have developers provide specific landscaping requirements in addition to the impact fees.

Home Rule

The municipality of Misty Hills, Illinois, is a home rule-governed community. Home rule allows a community greater authority and control over municipal finances, such as impact fees. The Illinois State Constitution (Art. VII § 7) permits communities the ability to govern themselves with “home rule.” In a 2012 interview, Mr. Doe expressed the importance of Misty Hills becoming a home rule municipality, “Home rule gives us the authority to govern ourselves as we see fit and as long as it doesn’t violate the state or federal constitution. Through home rule, we can locally pass additional impact fee policies to collect revenue to build schools.” In order to become a home rule government, a municipality must have 25,000 residents, or a proposition must be voted

and approved by the community in an election if the minimum population is not met.

Misty Hills obtained home rule status in 1995 in anticipation of growth. Mr. Builder said in 2012, “Home rule benefits not only the village, but the school system as well.

Through home rule, we are able to collect additional impact fees.”

Prior to establishing home rule, Misty Hills had authority only to require builders to donate land for schools and parks. If developers could not donate land, the developer could contribute the monetary cost of the land to the schools. The money could be used only for purchasing land for a school. However, home rule allows communities to add additional requirements for developers, as long as they are not forbidden by state legislation. Home rule communities receive land from developers and can also use their legal discretion to assess additional fees.

Misty Hills took advantage of home rule by adding an additional school impact fee in 2003, thus giving the school system two separate impact fees. Mr. Doe summarized the benefit of home rule for the school system during an interview in 2012: “The [local] government has the authority to require developers to make payments for school buildings in addition to the land dedication allowed by the state.” The school construction impact fee allowed by home rule required money for construction from developers in Misty Hills. The school construction fee mandated that developers contribute money in accordance to the impact fee formula for school construction. The school construction requirement was in addition to the land dedication fee and served as a

second impact fee for the school system. Without home rule, the village could not require the construction impact fee.

In a 2012 interview, Mr. Builder said,

Under our home rule authority, we [Misty Hills Government] took it [impact fees] a step further, and we [government] also want you [developers] to help pay for the school buildings that are going to be required because of the impact of your subdivision. Also, if they [schools and parks] don't need land, they [schools and parks] could use land cash money for construction. Non-home rule areas can't do that; the money can only be used for land. We [Misty Hills] already had the land-cash ordinance in place prior to 1990. And this new requirement was specifically for school construction, so we actually had two impact fees for the school district, land and construction.

Misty Hills used home rule authority to create spending discretions with the money collected from the school construction fees. The school construction impact fee collects money for school construction. The funds could typically be used for building schools. However, Misty Hills took advantage of home rule authority by allowing the school system to use the money for other infrastructure expenditures if needed. Mr. Builder said, "Maybe a school does not need to build a facility but needs land for a track field by an existing school. If not for home rule, it [revenue from construction fees] could only be used for building schools. As a home rule community, we have [had] the authority to allow it."

Community Growth and Changes

Growth in Misty Hills brought about changes to the existing impact fees policies. After 2002, new construction increased and created a high demand for vacant,

undeveloped land. In 2003, the value of land began to increase significantly. Between 1996 and 2003, the value of land remained \$38,000 per acre. The price of land set by the village determined the flat fee the school system collected for cash in-lieu fees. Through 2002, the school collected approximately \$800 for a four-bedroom house for in-lieu fees. The prices of new and existing homes began to rise. The average cost of a new home reached \$188,700 in 2001 from \$130,300 in the mid-1990s. Construction and land costs rose as well. The school system faced over-crowding according to the school leadership. According to Dr. Smith, “Growth projections indicated that the school system would need to construct a new building; however, the impact fees only provided land or money for land, and we didn’t want to incur debt until it was absolutely necessary.”

In the summer of 2002, a new subdivision development began, as mentioned earlier. The subdivision became the first of approximately 16 approved developments in Misty Hills. The developers dedicated a section of land in a central location of the development for a school site. The school system decided to use the site for a grade school center in the upcoming years. Commissioner Builder said, in 2012, that the annexation agreement prior to 2003 did not specify quality standards for the donated land, which is common in communities. Quality specifications typically stipulate the distance from streams/rivers, location near roads, railways, and topographical requirements. As it turned out, the school received a less than desirable section of land. Dr. Smith said, “The land was partially located on a flood plain and had a pipeline easement located through the center.” The pipeline easement cannot be built on, thereby

making the school location challenging. As a result, the school district incurred additional expenses to make the land suitable for school construction prior to its construction due to the lack of quality requirements for land donation in the annexation agreement. Even though the annexation agreement and impact fees required land for schools or cash in lieu, the quality specifications for land needed to be addressed. Dr. Smith believed that the developer basically “handed over land that they could not use for houses because they [developers] were allowed [by the annexation agreement] to.”

In 2003, the first of many revisions of impact fees occurred. The village’s decision resulted from the growth in the village and the need to help fund future school construction. The village approved over 200 homes in 2003, significantly more than 32 new homes in 2002 (HUD, 2014). The revision of the annexation agreement approved an additional policy to generate revenue for the school system to build new schools called the “school construction impact fee.” As mentioned earlier, this created an additional fee for developers. Developers now contributed land (or cash) and a construction fee. Mr. Builder stated, “Our home rule status permitted us to do this. We had the developers pay extra in order to address the impact that their subdivisions would have on the school system.” As a result, a developer would pay \$2,646 in construction fees and \$800 for in-lieu fees (if not donating land) for each four-bedroom home.

Strong housing sales continued for the community in 2004. Misty Hills once again approved over 200 homes in 2004, and the value of land increased. Mr. Doe said,

“Land value was increasing, so we [the village government] needed to revise the impact fees to reflect the fair market value of land.” The village responded to the thriving cost of land by revising the impact fee policy in the annexation agreement. The village amended the annexation agreement to reflect the 2004 value of land. The policy change increased the value of vacant land from \$38,000 to \$57,250 per acre, which increased the cost of in-lieu fees. The amount of revenue in-lieu fees generated for the school increased the flat fee from \$800 to \$1,408 for all four-bedroom homes, regardless of size.

In 2005, Misty Hills elected Mayor Field, defeating Mayor Doe, a three-term incumbent. Field formed a citizens’ committee to study impact fees and growth management to determine if any changes were necessary. The committee found two areas in the annexation agreement to address. First, the committee recommended changes to fix the oversight of quality specifications in the land donation ordinance. Second, the valuation of land once again needed to increase. As a result, the village amended the impact fee structure in 2006. The action addressed the two recommendations from the citizens’ committee. First, the amendment stipulated that the land dedicated for a school, park, or library must be 100% useable as determined by the village planning committee. This prevented developers from donating land with imperfections, as was the case with the school site in 2002. Second, the amendment increased the value of land per acre to \$70,000 from the 2004 amount of \$57,250. By doing so, this raised the amount of revenue schools would collect for impact fees. A

four-bedroom house constructed under this schedule would have required \$1,722.09 for in-lieu school impact fees, which, prior to the increase, was \$1,408. The school system continued to receive the additional school construction impact fees of \$2,391 for the same home.

Construction continued to thrive in Misty Hills, and the cost of construction rose as well. New home sales thrived in 2006, and the village averaged 260 new homes over the previous two years. In 2007, the village found it necessary to adjust the impact fees in the annexation agreement again. Land contribution or in-lieu impact fees and the value of an acre of land (\$70,000) remained the same. The amendment adjusted the school construction impact fee by 33%. For instance, the increase raised the school construction fee for a four-bedroom home to \$3,188 from \$2,391.

The prosperous economic times for Misty Hills did not last long after the 2007 revision to the annexation agreement. The thriving housing market came to a virtual standstill in 2008, and the economy went into a recession. Between 2003 and 2007, the village issued an average of 220 building permits per year. When the housing market declined in 2008, the number of new homes decreased drastically. Between 2008 and 2009, new residents built approximately 20 new homes per year. In 2010, the village approved permits for 10 new homes.

Misty Hills attempted to rejuvenate the local economy through an incentive plan for new homebuyers. The village offered “impact fee rebates” to new homebuyers. The rebate offered 50% of the total amount of impact fees to the buyer at the time of closing.

The village referred to the rebate as the “stimulus plan.” The plan began in 2009 and was offered to the first 100 people to build a home within one year. The economy stifled this incentive, and the stimulus was extended through 2010. The village approached each taxing body at a public meeting to inform them of the stimulus plan. Superintendent Green, an administrator in the district since 1984, stated that the rationale behind the stimulus was that “if no one is buying, there are no impact fees, so it is better to get half of something than all of nothing. I would hope that if growth begins again, that the impact fees would resume. Meanwhile, we [the school system] must keep the collected revenue in fund balances to be used for future construction or land purchases.” Mr. Doe summarized in 2013, “There is no revenue from impact fees when building permits are not issued.”

The stimulus did not entice new residents, and in 2011, the village board examined how the local economy changed, soon realizing that the economy had recessed nationally. Mr. Builder pointed out, “We went from building over 200 [homes] a year when times [2003-2007] were good. Now we are lucky to give 10 [building] permits a year.” The village reviewed the annexation agreement to determine if the economic trends in the village matched the cost of impact fees. Mr. Builder pointed out that impact fees needed to “stay current with the economic trends facing us [Misty Hills].”

The village board decided to modify the annexation agreement to reduce school impact fees to parallel the economic climate of the community. The village trustees used new housing data and land sales to justify their action, according to Mayor Doe in 2012.

After the housing market collapsed, vacant land lost value. In fact, according to Mr. Builder, “Many farmers were buying back the land they sold for one third of what they sold it for. A farmer was getting almost 80 grand [\$80,000] per acre; now they are paying about 25 [\$25,000 per acre].”

In response, the village board adjusted two aspects of their annexation agreement to revise impact fees. First, the modification adjusted the value of land to reflect the current value of vacant. By doing so, the land donation, or the cash in-lieu, school impact fees drastically decreased the amount of revenue the school would receive for in lieu fees. Prior to the recession, the fair market price in the impact fee agreement was \$79,000 for an acre. The amendment lowered the price of an acre to \$26,000, reducing the amount of impact fees developers would pay for in-lieu fees. In 2011, a four-bedroom home, which collected \$1,722.09 prior to the modification, lowered to \$639.67 for in-lieu fees. Last, the village discontinued the school construction impact fee. A four-bedroom home that collected \$4,910 in impact fees in 2007 (\$3,188 for school construction; \$1,722 for in lieu) received \$693.67 in 2013, all of which being in lieu-fees because the village board dissolved school construction impact fees.

The historical perspective of school impact fees in Misty Hills followed the economic trends of the community. During periods of rapid growth in the mid-2000s, the village made adjustments to collect more revenue for the school system. Likewise, when the housing market collapsed and the economy recessed, the village government

responded by having impact fees reflect such changes. Mr. Builder summarized the village's philosophy of impact fees: "Our annexation agreement is written so that every year it can be revised by April 30, so in the event growth were to occur [again], we have the ability to change the impact fees to help the schools."

The Effects on the School System

Prosperous Times

The financial health of the school system and community paralleled each other. The demand for new homes increased the value of property in the school district. Thus, the EAV of taxable property within the community increased. EAV refers to the amount of property value a taxing body, such as a school system or village, has within the municipal boundary and ensures that all property owners pay their fair share in taxes. The term "equalization" certifies that all homes valued at the same price pay the same amount in taxes. This concept is tricky, but necessary, because school boundaries do not always match municipal boundaries; thereby, two residents may be located in the same school boundary and have different assessments because the properties are in different municipalities.

EAV is determined by the combined property value, or wealth, of all residential housing, retail/business, farms, and vacant land. It also plays an important factor to determine the amount of local revenue (taxes) a school district received. School tax revenue (tax extension report) and state aid are linked to the EAV in the community.

School systems located in communities with higher EAVs typically receive less state aid than school systems with lower EAVs.

General State Aid (GSA) that a district receives is steered by the EAV, or local wealth. Illinois public schools receive GSA based on a three-tiered system in accordance to the financial ability of the community. Most schools receive GSA through the “foundation formula” because their local contribution per student is less than 93% of the foundation level (Illinois State Board of Education [ISBE], 2014). The foundation formula provides money to the school district per student based on the foundation amount minus the amount of local wealth available. For example, the 2014 foundation level was \$6,119, and if local revenue available indicated \$5,000 per student, the school system would receive \$1,119 ($\$6,119 - \$5,000$) in GSA per student.

Wealthier schools systems use the “alternate method” or receive a “flat grant” (ISBE, 2014). The alternate method applies to school systems in communities that can afford 93% and not exceeding 175% of the foundation level. Such school systems receive between \$306 and \$428 per student. Flat grant systems receive \$218 per student because the local revenue is 175% or higher than the foundation level.

The EAV of Misty Hills remained stable through the early 2000s and began to increase significantly after 2003 for the village and school system. Dr. Smith described the EAV prior to 2003: “It [the EAV] was slowing growing. Not at a real fast pace because we didn’t have a lot of the growth that you’ve seen afterwards, but it was steadily increasing.” School finance records reported the EAV in 2001 at \$120,207 per

student and reached \$124,092 two years later. The \$3,885 EAV increase per student (slightly under 2%) typified the district's tax financial increases prior to 2004, when growth became significant. According to Mrs. Jones, a bookkeeper, the school system averaged an annual budget around \$5.5 million during the same period because the tax rate and EAV remained even.

According to Superintendent Green, 2004 signified a turning point for the school system. Before 2003, the school system averaged class sizes of approximately 25 students and employed approximately four full-time teachers for each grade level, and the community averaged 30 new homes per year. The next year, Misty Hills began building over 200 homes per year. When growth began to impact the school, class sizes approached 30 in some grades. The school endured larger class sizes because tax revenue operates on a two-year cycle. Superintendent Green said, "The school did not have the financial ability to hire additional staff members since tax money would arrive two years after the students arrived. Our school was funded in 2004 by tax figures from 2002. Our impact fees only helped us with land, not building or operating [our schools]."

The community continued to average over 200 homes per year and Misty Hills Schools found the EAV and enrollment increasing significantly (see Figure 1).

According to school report card data, enrollment averaged a 7% increase each year. The EAV increased as new home sales increased, and the prices of homes rose dramatically. In 2005, the EAV increased 5.7% per student, reaching \$131,105 from \$124,092 during

the previous year. The trend was just beginning. During the following year, 2006, the EAV increased by over 9%, reaching \$144,671 per pupil. Dr. Smith said, “It [EAV] boomed, so the district’s EAV skyrocketed after that time.” The prices of homes rose dramatically as well. Between 2001 and 2007, homes sales rose from approximately \$135,000 to over \$250,000 (HUD, 2014). The district continued to increase the annual budget as the EAV increased. The increase averaged 9% for the next several years. The school system found itself with a total operating budget reaching over \$7.5 million. School finance records and interviews indicated a 30% (\$2,500,000) increase in funding over the previous four years.

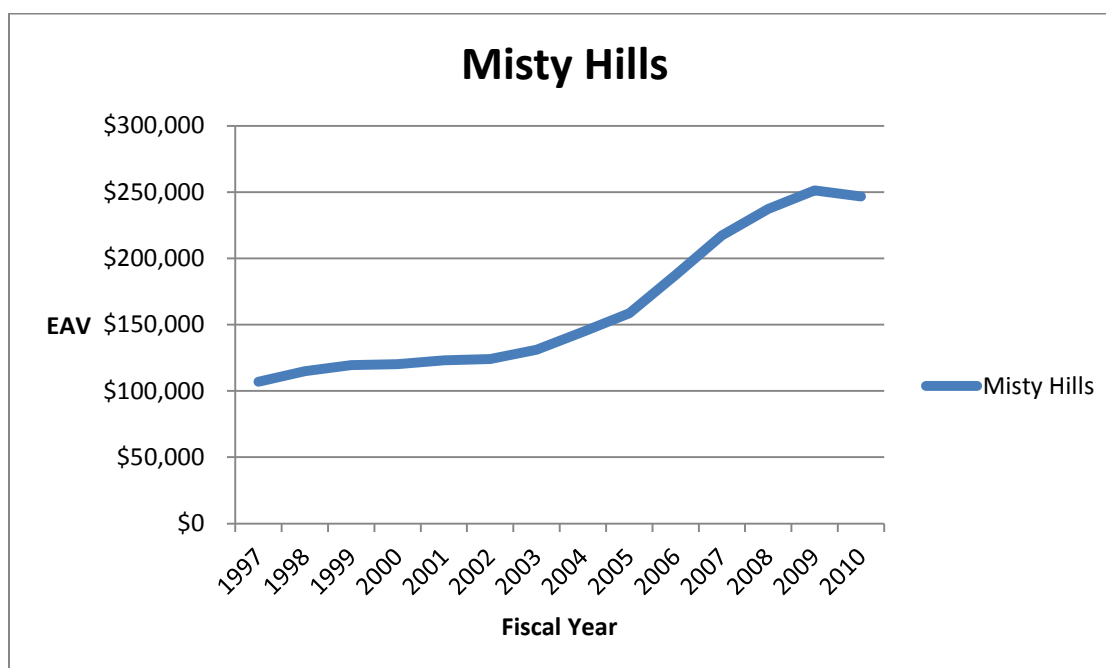


Figure 1. EAV trends in Misty Hills.

In an October 2012 interview, Superintendent Green said,

When we were experiencing student growth at 8-10%, it was significantly helping us to bring in more money locally with the tax rate. Things were going along real well when we were seeing our EAV increase to what were unbelievable levels, and we were able to hire more staff for students. Prior to growth, the EAV was very stable since there was not much growth; therefore, there was not much additional revenue for our schools.

The increasing enrollment in the early 2000s necessitated the addition of another elementary school. The student population reached over 1,000 students, a 15% increase since 2004, when significant growth began. The elementary school became overcrowded, and a second elementary school opened in 2006. The new elementary site served students in grades kindergarten through second. The cost of the school could not be offset because school construction impact fees did not exist yet. According to financial records and interviews, the district received money to build the school through a referendum approved by the community.

Increasing Personnel

The demand for more housing in the community continued, and so the value of property increased as well. The amount of revenue generated through property taxes continued to increase substantially as a result. In 2007, the tax report indicated that the EAV had reached \$158,699 per pupil. The amount grew almost 9% above the amount of \$144,671 from the prior year. The school system received more revenue, and the district budget rose to almost \$10.5 million. The district decided to hire new staff for the

increasing district enrollment that reached over 1,100 students. The figure represented an 8.5% student increase in one year, the highest increase ever noted for a single year, according to the Misty Hills 2007 school district report card data and an interview in 2012 with Superintendent Green.

The prosperous financial environment allowed the school system to make decisions that helped facilitate and manage the increasing student population. The additional revenue at last reached the school from taxes and impact fees. Superintendent Green stated, “The school system took advantage of the situation and fortified many of the services for students, both academically and extracurricular.” School district employment records indicate that the school system employed approximately 15 additional staff members for the 2007 school year. Superintendent Green said, “We were able to accomplish this because the EAV increased greatly through the mid-2000s, combined with our local tax revenue catching up. It was perfect timing for us to expand our staff since we built a school earlier.”

The growing school system found more students participating in athletics. District athletic reports illustrate that the number of students on the track team increased from 50 in the early 2000s to over 120 in 2007. Cross-country grew from 15 participants in 2004 to over 55 in 2007. The school system responded by expanding services for athletics. The athletic department increased coaching positions in 2007 by adding coaching positions for the track and cross-country teams. In addition, the school system provided newer equipment and uniforms on a yearly basis.

In the mid-2000s, Misty Hills increased offerings in fine arts for students. Before 2007, the school system offered band as the sole musical experience for students. That year, the school started a choir and string orchestra, which flourished, along with the band. The district hired an additional music instructor to foster the new musical initiatives, according to Superintendent Green.

The school system increased technology and student materials, such as textbook adoptions and curriculum revisions. In particular, the district hired a full-time curriculum/student services director and a technology assistant. In 2008, the curriculum director aligned all the district curricula with state standards and facilitated textbook adoptions for the district. The technology department piloted new services for students such as online progress monitoring and updated student data software. Through 2008, the school system made numerous improvements for students.

The Perfect Storm

The strong economy for Misty Hills ended abruptly in the latter part of the decade. This, combined with the national housing market collapse, soon adversely affected the school system. Mayor Fields indicated in a 2012 interview that growth in the community virtually stopped by 2009 and the village built 43 new homes that year. In 2010, 10 new homes were built. Mr. Builder, a village planner, said, “We were building over 200 [homes] a year. All of a sudden, the bottom fell out, and with the recession, the prosperity came to a halt.”

In 2010, the district received two serious financial concerns. First, the EAV that previously had gained an average of approximately 10% annually peaked at approximately \$250,000 per student. Second, the district received \$1.4 million in state aid, noting a \$1 million shortage from the previous year. Mrs. Jones said, “We [school system] did not feel an immediate loss in 2008 since tax revenue is based on two years earlier when the EAV was still growing. However, the state ran into trouble and gave us quite a bit less in aide, which was a serious set-back since we deal with a budget of about \$11 million” (see Figure 1).

The school system sought solutions for the revenue shortage created by national and state-level financial crises. According to Superintendent Green, the district considered raising the local property taxes slightly to make up for some of the revenue shortfall from the state or downsizing the employee workforce. The school board did not favor a tax increase.

Superintendent Green explained the position of the board:

We [school system] had just finished phasing in an increase [of taxes] that the community supported six years ago. A promise was made [by the board] to the residents that after the increase finished [the phase-in], we would not seek to increase them again for 10 years. The community would have never agreed to the increase back then, and we had to keep our word. We needed to find a way to live within our means; after all, the community was shouldering more and more of the financial burden of the school district.

The district tax reports confirm the situation. In fact, the historical financial reports from the district show that after 2009, the percentage of the district budget received from local property taxes jumped from 64% to almost 72% within three years

(ISBE, 2014). The school system received about \$7.5 million from local property taxes in 2009, which rose to \$9.1 million in 2012. Making matters worse, state aid decreased during the same three-year span, from \$2.4 million to slightly less than \$1 million (Illinois Report Card, 2014). The percentage from local taxes reported about 14% higher than state averages. In 2010, the district honorably dismissed over nine full-time staff members in response to the economic climate of the community. Class sizes increased to about 30 in 2010 as a result of this action. The housing collapse and economic recession forced the school system to reevaluate district enrollment trends and expenditures. Between 2009 and 2012, the enrollment remained fairly consistent, averaging approximately 1,250 students each year. In 2013, the district enrollment rose to 1,300 students, the first significant change since the recession began.

Changes and Student Outcomes

Between 2000 through 2009, Misty Hills Schools received approximately 500 additional students. Dr. Smith said, “Before the boom, there were insignificant changes within the student population and staff morale.” Superintendent Green added, “At first [prior to growth] the staff was cautious about potential changes in the way we [school system] did things. Once the community showed its support [for the schools], things were going great when times were good [mid-2000s].” In 2013, the district reported about 1,300 students.

The students of Misty Hills have consistently exceeded Illinois state averages on the Illinois Standard Achievement Test (ISAT). The student ISAT scores were always higher than the state average. Green attributed the academic trends to student-centered decisions and said, “Our students have always performed very well and, in fact, improved during growth. I believe that was because we always did what was right for students when revenue was available to do so.” Over the past 12 years of ISAT trends, the school system scored about 9.5% higher than state averages (see Figure 2).

Views and Beliefs of Impact Fees

Dr. Smith shared mixed sentiments about the role of impact fees:

If you get enough students, you have to hire staff. People thought that impact fees would help us hire more teachers, but in accordance with municipal policy, that money only goes for land or construction. The district never made out on that. People thought it [impact fees] was a windfall; it was not a windfall. To hire new staff members with benefits, is mainly paid for by tax revenue and state and federal aide, which unfortunately is two years behind.

School impact fees intend to facilitate schools in growing communities by providing revenue (or land) for new facilities. The views expressed by the school and municipal leadership differed from each other.

Mrs. Jones believed that impact fees

are not directly helpful for schools to keep pace with growth since the amount collected from impact fees for the school system is never the cost of land or construction. The school system receives more of an indirect benefit from impact fees since thriving communities have higher EAVs, resulting in more tax revenue. We get help to some degree with construction or land donations, but there is nothing from impact fees to help us educate students during the tax-delay. If

there would be a way to collect fees to help pay for operation expenses until the tax revenue caught up, that would be more beneficial.

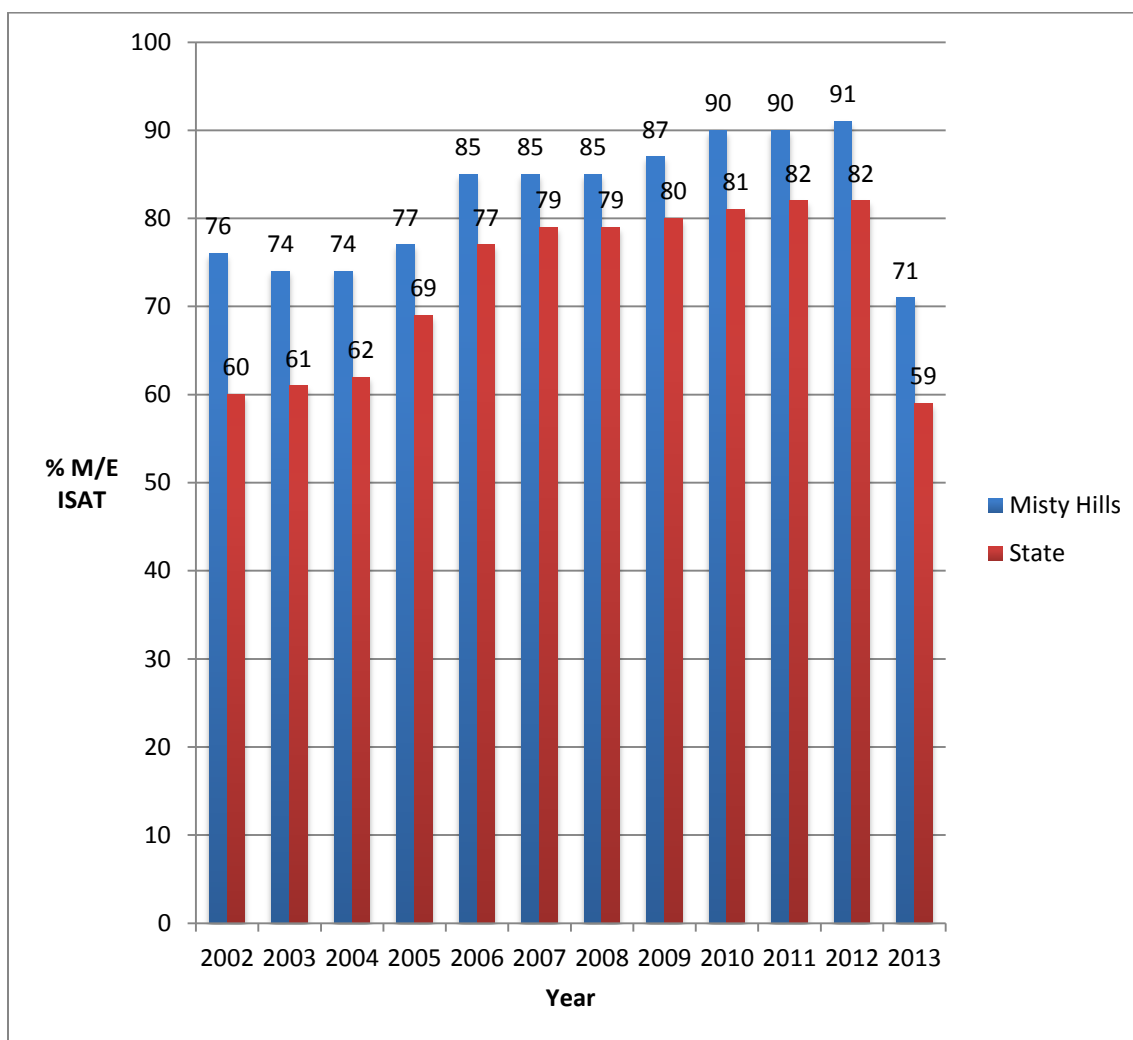


Figure 2. Percentage of students who met or exceeded standards on ISAT.

The enrollment of the Misty Hills school system increased during growth, resulting in more tax revenue two years later. Furthermore, the EAV increased as growth continued

in the community through the 2000s. The EAV, combined with more taxable residents, allowed the school system to hire additional staff members and expand or add programs for students.

Municipal leadership expressed views from a community perspective. According to a village planner, the municipal leadership of Misty Hills stated that impact fees must “always be within the legal limits set by policy.” He went on to say, “Municipal policy should be current with economic trends and involve all taxing bodies within the community.” This belief serves as the growth philosophy of the municipal leadership established during early prospects of growth. In 2014, at the time of this study, the impact fee policies had shifted to reflect the local and national economy by raising fees during growth.

Mr. Field, a former mayor, said in a 2012 interview, “Impact fees should be within the means of the community and involve all taxing bodies.” Mr. Doe shared the same belief, saying in an October 2012 interview, “Impact fees should be written so that growth will pay for itself. This is important because there is a two-year lag on taxes; meanwhile, schools need to spend money to build new schools.” Annually, the village trustees contacted and met with the school leadership to discuss whether or not impact fees needed to be adjusted or changed. The belief held by the village government was that they, the trustees, had not only an obligation to schools, but to all taxing bodies and the community. Mayor Doe said in a 2012 interview, “The village trustees are dedicated

to involving schools when planning impact fees. Our [Misty Hills] policy requires the schools to keep the funds in an account until the need to build or purchase land arises.”

Conclusion of Misty Hills

The case of Misty Hills examined the historical background through 2013 and the various responses made by the school and municipal leadership during changes in the community. The school system hired additional staff members as an “indirect benefit” with the revenue received from increasing tax revenue from growth as a result of the increasing EAV, but not impact fees. The district constructed two additional school buildings in response to the additional student population received between 1995 and 2005. The schools received an increase of over 500 students by 2010, which increased the enrollment by 50% within a 10-year period.

Misty Hills Schools and government worked closely together after the 2005 election. Collaboration between school and municipal leadership helped craft and revise school impact fees that provided additional revenue for new schools when economic trends were healthy during the mid-2000s. The impact fees used reflected the financial trends of the community. In 2007, the impact fees required a payment exceeding \$4,000 for a typical four-bedroom home during peak growth when the community was building over 200 homes per year. Unfortunately, the housing recession in 2008 stifled growth, and as a result, revenue from impact fees greatly decreased, as did the need for new buildings and staff.

In the late 2000s, both the village government and school system found themselves challenged by economic shortcomings due to the housing collapse in 2008 and the national recession. Between 2008 and 2013, construction in the community virtually stopped and the municipality attempted to entice new residents through impact fee rebates to new residents. The plan did not make a significant difference, and policy for impact fees ultimately received major revisions. Commissioner Builder said, “The impact fees had to be reduced and in some cases eliminated due to the economy. The price of vacant land depreciated so much that farmers who made a profit selling their farms 10 years ago [mid-2000s] are now [in 2012] buying them back at a far lower price.” The decisions taken by the municipal leaders demonstrated their commitment to have their growth policy parallel the economic climate of the community.

The school system appeared to benefit from prosperous economic times during the mid-2000s. According to Superintendent Green, “This [prosperous times] was not because of impact fees. Our new school was built through referenda since school construction impact fees had not existed at that time.” The school staffed for a growing population and afforded the additional personnel as the EAV grew, thereby garnering more revenue for the district. Unfortunately, the opposite occurred when the economy collapsed. The school system eventually made difficult decisions regarding budget and staff reductions in response to decreased state funding and stagnant EAV.

To conclude, the role of impact fees in Misty Hills followed trends in the community. At the onset of growth, the community lacked sufficient impact fees for the

volume of growth, according to the school officials. In response to community concerns leading to municipal leadership changes, the community leadership adjusted policy for impact fees to better help school systems receive revenue for construction and land. Overall, policy for impact fees fluctuated to follow economic trends; however, school officials stated concern that impact fees might help them with construction and land, yet the two-year tax lag still remained a concern with growth that impact fees in Misty Hills did not address.

Pleasantville, Illinois (pseudonym)

Introduction

This case details the role of growth and impact fees in Pleasantville and the responses of the school and community leadership toward impact fees and growth in the community and schools. This section outlines the history and background of the community and school system through 2013 and illustrates the responses made by the leadership during economic changes. In particular, this case highlights the period following 1990, when Pleasantville began to experience significant growth, being considered among the fastest growing communities in the country. After 1990, the community and school system underwent tremendous changes, including leadership, economic climate, and impact fee policies. In 2006, Pleasantville also developed a third type of school impact fee: transition fees. Transition fees differ from the more commonly

used impact fees, which are used for school construction and land donations or purchases. Revenue from transition fees can offset operational costs such as salaries and benefits, thereby assisting during the two-year tax lag.

The community began to change significantly as a result of growth following 1990, as did the school system in several aspects. First, the school system constructed numerous new buildings and hired necessary staff members to service the growing population. Second, the financial foundation of the school system struggled in the 2000s as the economic health of the community weakened and the school system began deficit spending. Last, the school system reassessed non-negotiable beliefs in response to economic challenges.

History

The Village of Pleasantville is located approximately 35 miles southwest of Chicago. The growing community in Will County, Illinois, reached a population of 40,446 at the time of the 2012 census estimate (U.S. Census, 2013). Furthermore, *Forbes Magazine* listed Pleasantville among the fastest growing communities in the nation. The village grew significantly following the suburban sprawl in the early 1990s.

Established in 1841, Pleasantville flourished because of the location on a river used for transporting lumber and mail to the Chicago land area. The original prosperity ceased in 1848 following the establishment of a shipping canal outside of the village boundaries, inaccessible through roads in Pleasantville. Communities located along the

path of the canal flourished and, at first, prosperity bypassed Pleasantville in the early 1880s because the community lacked direct access to the canal.

Pleasantville began road construction through the community, providing a direct passage to the communities along the canal, thereby increasing commerce. Various businesses and industries began along the road centrally located in the town. The road through Pleasantville served as a main thoroughfare for the community. By the late 1880s, agriculture served as the primary economic staple of the community. The railroad industry also facilitated commerce. In 1886, a major railroad offered grain and freight transportation from Pleasantville to the Chicago area. In 1904, Pleasantville established a second railroad system that provided streetcar service. In 1913, the state designated a portion of the highway as part of the National Highway System. Furthermore, a second major U.S. highway was added that ran north and south through Pleasantville. Pleasantville was at the intersection of the two longest highways in the world, making the community a desirable and convenient location for living.

Pleasantville continued to be small agricultural community through the 20th century. By the early 1960s, the community grew, and residents left the Chicago area and chose Pleasantville as their new community. The community slowly transformed from a rural agricultural community to a modern suburb of the Chicago metropolitan area.

Pleasantville School District

In 1959, Pleasantville established a school system. Pleasantville School System is located primarily in Will County, with a small section in a neighboring county. The school system serves students in Pleasantville and four neighboring communities. The system differs from Misty Hills as Pleasantville serves students in Grades K-12, also referred to as a unit district. The population of Pleasantville Schools remained fairly stable from its establishment until the 1990s. Prior to the onset of growth in the 1990s, the system consisted of one high school, one middle school, and three elementary schools. In 1990, the district served 3,324 students. In 1991, an unexpected natural catastrophe destroyed the original high school. Dr. Hart (pseudonym) said that “1991 was an infamous year for Pleasantville, it (the 1991 disaster) drew attention to the community in the national media, and rebuilding efforts was a catalyst for bringing growth to the community.” A new facility to replace the original high school opened in the middle of the 1992 school year.

Between 1990 and 2000, the total enrollment grew from 3,324 students to 11,942, a 206% increase, necessitating two building additions to the school system. The growth during the 1990s required changes in the school system. Pleasantville built a freshmen wing and an academic wing to the original Pleasantville High School in 1998 and 2005, respectively. The student population increased by more than 25,000 in a 20-year span beginning in 1990, averaging a 13% annual growth rate. Pleasantville found itself in

need of more school sites as a response to the growth. The school system constructed five elementary schools between 1994 and 1999 and two middle schools in 1995 and 1999 in light of growth.

The growth trends of the 1990s continued into the new millennium. Between 2000 and 2008, the Pleasantville school system opened nine additional elementary sites. In addition, between 2002 and 2007, four middle school locations opened. During the 2000s, the Pleasantville school system averaged a yearly growth rate of 13.3% and noted a 285% growth in enrollment, adding 17,000 students.

By 2013, the Pleasantville school system comprised 31 school sites, a district office, and a technology center. There were four high schools, seven middle schools, 17 elementary sites, and three alternative learning centers. Rapid growth in the school began in the early 1990s. Since then, 25 of the current school sites were constructed. Though Pleasantville is far larger than Misty Hills, as mentioned earlier, this project studied the school responses to growth, impact fees, and economic challenges.

To summarize, during the 10-year period spanning 2000 through 2010, Pleasantville constructed 17 schools. The enrollment increases also necessitated additional high school locations. In 2001, Pleasantville High School opened a second high school for the district. Before 2010, two more high schools opened. Pleasantville North opened in 2005, and Pleasantville East in 2008. In addition to three new high school sites, elementary and middle schools could not be constructed fast enough. The

community supported the additional growth through building referenda, but the district did not raise the tax rate to help operate the schools. Similar to Misty Hills, the two-year tax-gap created funding challenges for the school system. Growth changed the district significantly, according to the superintendent, who said in a December 2011 interview, “Within a 22-year span, our district had gone from a rural school system to a suburban district with over 30 schools....We [the Pleasantville school system] became the poster child for growth.”

Municipal and School Respondents

For this study, I selected three school respondents and three municipal respondents based on their working knowledge of municipal growth, finance, school funding, construction and school operation. Furthermore, the respondents each possessed strong association with the community and involvement with policies associated with impact fees. The number of individuals selected also kept consistency with the Misty Hills case.

Municipal Governance and Respondents

The organizational structure of Pleasantville consisted of the mayor and a board of six elected trustees. A village clerk, village administrator, and planning administrator worked closely with the executive board. The candidate selection followed the type of information that this case intended to find. Municipal responses to growth, impact fee

policy changes, and responses to economic challenges served as primary rationale for selection. Based on said rationale and the purpose of this project, I chose candidates who possessed strong background with the impact fee policies, village finances, and growth planning. After reviewing numerous potential candidates, I selected the mayor, a trustee, and the village planner. Each respondent offered a different position within the government and offered in-depth knowledge for this case. Mayor Drake, Planner Crew, and Trustee Brown (pseudonyms) graciously participated in this study.

As of 2013, Mayor Drake (pseudonym) served as mayor for over 10 years. Drake was a life-long resident of Pleasantville and began public service to the community as a trustee prior to becoming the mayor. He also served the community as a trustee on the Pleasantville Fire Protection District before retiring from the police department in 1998. Planner Crew (pseudonym) served as the village planner as of 2013 for over five years. Prior to his career in Pleasantville as a certified planner, Planner Crew worked in the Los Angeles area as a planner for 15 years. In addition to holding planning credentials, Crew earned degrees in journalism and English. His responsibilities included providing the most current knowledge available regarding property assessments, building ordinances, and impact fee policy for developers, potential residents, and the village board.

As of 2013, Trustee Brown (pseudonym) served as an elected trustee. An educator by profession, Brown taught at the college level. He also proved to be instrumental in raising public awareness about ecological and management concerns involving growth such as space requirements, transportation issues, and infrastructure

needs. Brown served on the township board before being elected as a village trustee 10 years prior to this study, thus, making his tenure ideal for this study.

The village board consisted of seven elected officials and governed the municipality of Pleasantville. The makeup of the 2013 board had undergone membership changes since 2000, yet Crew's opinion regarding community growth and municipal responsibilities remained constant. Planner Crew summarized his belief toward growth and impact fees in a 2012 interview: "We think impact fees are appropriate because it's only fair that a new development bear at least a portion of the burden of its impact on a community and on the community facilities."

School Governance and Respondents

The Pleasantville school system began to grow in 1990, which was 14 years earlier than Misty Hills. In 2013, Pleasantville housed 28,726, dwarfing the 1,308 students in Misty Hills and thereby requiring more staff and administration (ISBE, 2014). Indeed, the school district sizes greatly differed; however, this study researched school and municipal responses to growth, not population or district size.

The district office housed a comprehensive structure to facilitate and manage the needs of the school system. Constructed in 2000, the district office housed all central office administrators. Four assistant superintendents and a communications director facilitated all operations of the district under the direction of the superintendent. Each

assistant superintendent focused on a specific area of expertise. The assistant superintendent of curriculum and instruction managed a staff of four directors in this area. Four directors assisted the assistant superintendent for supervision. Last, directors administered maintenance, facilities, and transportation who joined the assistant superintendent for business and operations.

For this case, I selected three respondents from the school system based on specific criteria for this study. In the same fashion of the Misty Hills case, I selected administrators and personnel who possessed detailed knowledge regarding school finance, impact fees, and growth. Among the district-level administrators, the superintendent, assistant superintendent for business, and the bookkeeper suited the selection criteria. Each candidate selected possessed familiarity with several key aspects of school operation. First, the respondents held knowledge in school finance, enrollment trends, and student services. Also, each person had maintained employment with the school system during key phases of growth in the district. Last, the individuals had planned and implemented financial, enrollment, and personnel changes during significant growth in the district through the 2000s and the various economic challenges following later in the decade. In this case, I interviewed Superintendent Hart, Assistant Superintendent Banks, and Bookkeeper Wells (pseudonyms).

The superintendent, Dr. Hart (pseudonym), a lifelong Pleasantville employee, served over 20 years with the district before his 2013 retirement. He began his career in

Pleasantville as a teacher and gradually entered the administrative field as an assistant principal and later became a principal. Hart later became an assistant superintendent, later assuming the role of superintendent. Hart received his entire college education, encompassing a doctorate, from a state university.

Mr. Banks (pseudonym), assistant superintendent of finances, worked in Pleasantville for several years prior to his 2011 retirement. He began his career as a social worker, later receiving degrees from state college in business and finance. Banks worked with two school board presidents within a three-year period between 2009 and 2012. As a major financial accomplishment, Banks helped Pleasantville make necessary adjustments to the district budget to correct prior deficit expenditures that occurred after the late 1990s and beyond the 2008 recession.

Mrs. Wells (pseudonym), working in 2011 for the school system and assisted Banks in the finance department. Relatively new to the education field, Wells arrived in the district with about 10 years of experience as an educator prior to becoming an administrator. She received her formal education through a state university and was a licensed school business manager.

Onset of Growth: 1990s

In 1990, Pleasantville thrived as a suburban community yet provided “rural charm,” according to Mayor Drake. The community began to experience suburban sprawl in Will County between 1990 and 1997 built approximately 250 homes each year.

This began a 20-year trend. Between 1997 through 2000, the community more than doubled home construction, averaging over 600 new homes annually. At the onset of growth, new businesses did not immediately arrive. Planner Crew said in a January 2012 interview, “We had a tremendous amount of new commercial development along Local Road (pseudonym), our main commercial corridor. Prior to the onset of growth and through most of the 1990s, we [Pleasantville] had very little commercial business.”

The prosperous economy in the 2000s brought more growth for Pleasantville. The rate of new homes increased with the arrival of more residents moving to Pleasantville. Between 1990 and 1999, the village constructed 2,564 new homes, compared to 217 built during 1980 through 1989 (U.S. Census Bureau, 2013). Both 10-year periods came quite short of the 4,482 new homes built during the five-year period between 2000 and 2004. Village Planner Crew added, “In 2009, Pleasantville constructed almost 7,500 new homes since 2000.”

New commercial business and retail followed in the 2000s. Planner Crew described the arrival of new business in the 2000s:

Unlike the earlier period of growth when there was very little commercial and retail added in the community, in the 2000s, we had a tremendous amount of new commercial development along Local Road, our main commercial corridor. We added...a lot of big box retailers. As an order of magnitude our number was about three million square feet of commercial development. Which, when you look at commercial, you measure the gross square floor area. It was on order of around three million square feet of new commercial development that came to the village during that time [2000s].

The growth created more revenue and expenses for Pleasantville. The additional residents provided more revenue through taxes to the village. Mayor Drake said, “The

EAV has grown in lock-step with the rising cost of construction, new homes, and the additional commercial business.” As the population increased, so did the need for additional services for the community. The village invested in additional personnel and infrastructure, including a police station, fire station, and a new village hall. Trustee Brown, articulated the village’s mission: “We believe our obligation is to invest in our municipal facilities to meet the needs of our growing community.”

After 1990, Pleasantville began a 20-year transition into a large-scale suburb. The community was known as a small suburb in 1990, with 4,500 residents, and became one of the largest communities in Will County and one of the fastest growing in the nation. In the overview of growth in Pleasantville following 1990, the community nearly tripled their population every 10 years. By 2005, Pleasantville automatically became a “home rule” community because the population surpassed the threshold of 25,000 residents, according to Drake. As described in a previous section, home rule communities have the ability to govern themselves as long as local laws do not violate the state or federal constitutions. The 2010 U.S. Census figures prove that during the 10-years between 2000 and 2010, the population nearly tripled, reaching 39,591 residents (U.S. Census, 2013). Between 2000 and 2010, the population increased by 203.6%, netting a total of over 39,000 residents (U.S. Census, 2013). After significant growth began in 1990, the community noted an 889% increase in population (U.S. Census Bureau, 2013). In fact, Planner Crew, the village planner, described growth in Pleasantville:

We [Pleasantville] were identified by *Forbes Magazine* as one of the fastest growing communities in the country in 2005. A quick snapshot of Pleasantville’s

population by census shows that in 1990, prior to explosive growth; we were about 4,500 people. In 2000, we were approximately 13,600, or somewhere in that region. And in the decade of the “oughts” [2000s], we conducted three different special censuses to reflect and capture the explosive growth we were experiencing. I believe we had a special census in 2003, 2005, and 2007. By the 2010 census, we were at almost 40,000 people.

History of Impact Fees in Pleasantville

Growth in Pleasantville created the need to address potential changes in policy, according to Planner Crew. School impact fees before 1990 began in the 1970s and required land donations or money to purchase land based only on the number of bedrooms in a home. Homes with fewer bedrooms required a smaller school acreage payment than four-bedroom homes. In the event that the developer did not donate the amount of land, then a cash payment based on the value of improved land would be made. At the early onset of growth in 1990, only in-lieu impact fees existed for schools. Mayor Drake said, “Early on, we had very few impact fees, and the ones we had served municipal purposes only.

The impact fees that were in place at the time were for the purpose of water and sewer improvement in the community and only land donations for schools.” The community continued to grow, but impact fee policies did not require additional funding for schools and municipal infrastructure.

The community first began to examine the need to create public works policies to help manage growth. Roads needed improvement to handle additional traffic from more residents. The village realized the need for impact fees to make such improvements. As

a result, the community began to add new impact fees to the annexation agreement in the late 1990s to help finance municipal improvements, yet during the 1990s, school impact fees remained stagnant.

The village added a \$250 traffic fee per new home to finance roadway improvement in the community. The money collected from the traffic fee improved traffic safety and transportation in the community. The improved traffic flow enticed numerous commercial retail developments along Pleasantville Road, the commercial corridor of the community. Planner Crew said, in 2012, “Along the large corridor, the community added a vast amount of new commercial growth. By doing so, the EAV of the community increased substantially by making business more desirable, thereby generating more revenue from taxes for schools and all taxing bodies as well.”

Pleasantville grew through the 1990s, and during the 2000s, the need to reexamine existing impact fees became apparent, according to Mayor Drake. The village found itself in need of responding to overused and outdated infrastructure and municipal buildings. Planner Crew said, “The village found itself needing to protect their commitment to provide new municipal structures.” In 2004, Pleasantville added an annexation fee and a municipal facility fee and increased the traffic fee. The annexation flat-fee of \$2,000 per new home facilitated the cost associated with the expanding village territory. Planner Crew added, “As we grew, and as we wanted to more accurately capture the impact the development had on our community, we added a \$2,500 municipal facility fee per dwelling. The intention was to pay for additional municipal structures,

such as police and fire stations.” The municipal facility fee collected enabled Pleasantville to construct a new village hall in 2003. The fee also offset construction costs for a new fire station, police building, and public works facility. The traffic fee increased from \$250 to \$2,000 for each new home. The additional revenue from the traffic fee helped finance community landscaping, decorative signage, and various public improvements.

Types of School Impact Fees

A unique relationship between the Pleasantville school system and the municipality existed. The Pleasantville school system boundaries occupy 64 square miles, lying within several municipalities. In fact, Pleasantville receives students from five other municipalities. Even though the school system was affiliated with multiple municipalities, the school impact fees and their structure were universal among the municipalities.

During the 1990s, the schools become over-crowded, and the school system experienced difficulties to keep pace with growth. By 1995, the district surpassed the 3,500-student capacity. Such circumstances created the need to address school impact fee policies. However, the Pleasantville school system differed from many school systems because it is located within multiple municipal boundaries due to its 64-square-mile area. According to Trustee Brown, the Pleasantville school system and the

associated municipalities sought a uniform impact fee structure among the affiliated municipalities. Planner Crew provided insight of the local government's rationale:

The planning involved leadership from the school system as well as the leadership from the communities surrounding Pleasantville. The resulting agreement provided each community with similar desirability to developers and would not place certain communities at an advantage or disadvantage for developers to seek certain communities over others.

As a result, all municipalities associated with the Pleasantville schools passed identical school impact fee scales and structures to maintain consistency within the school boundaries.

School impact fees in Pleasantville evolved in response to the growth the community experienced. Pleasantville responded to the growing community conditions through the development of three types of school impact fees. The village created the acreage/in-lieu fee, school facility fees. The impact fees follow the "Naperville Formula," differing from previously mentioned flat fees. As discussed earlier, the Naperville Formula takes into account the number of bedrooms in new houses to determine the fee. Homes with more bedrooms usually had more school-age students, thereby requiring a higher fee, which is detailed in the following section.

School Acreage/In-Lieu Fees

Acreage. The school acreage/in-lieu fee became the first school impact fee of Pleasantville. In the early 1970s, the standard annexation agreement included the school acreage/in-lieu fee. As previously discussed, annexation agreements are contracts

between the municipality and developers, stipulating various requirements of the developer before allowing construction. The Community Development Department developed a fee worksheet, and the village adopted the school acreage fee. The worksheet lists the amount of land or money required by developers to donate for school sites.

Two factors went into consideration for land donations or in-lieu fees. The number of bedrooms and total number of homes in the development factored into the total acreage or in-lieu fee owed to the school system from the developer. For instance, in 2006, a four-bedroom home required a land donation of .02908044 of an acre, or an in-lieu fee of \$2,181.00. Each home in a development is factored into consideration, resulting in a total acreage requirement for a school site.

In-Lieu. The sizes of developments vary. Some developments may encompass over 40 acres, but others may use 10 acres. The amount of land needed for school acreage for a small development would be impractical because the land donation requirement is proportional to the development or if the developer wished to donate land. The school system found no realistic use for a parcel too small for a school or perhaps the school system had no need for land, according to Dr. Hart in a 2012 interview. Furthermore, a school site was not necessary for a development that was located near an existing school location. Such size variances of new development created issues for appropriate land donations.

In accordance with Pleasantville annexation agreements, developers pay in-lieu fees when land is not needed. The municipality developed a land donation/in-lieu worksheet that assessed the fee or land contribution. Following the Naperville Formula, a fee per home required greater in-lieu fees if there were more bedrooms. For instance, a five-bedroom home required \$6,698, and a three-bedroom home required \$3,269 for in-lieu fees. The revenue acquired from the developers from in-lieu fees was retained for future land purchases for school sites or facilities. The municipality received the funds and, in turn, provided the entire sum to the school district for future land purchases. The revenue from in-lieu fees had to be used strictly for land purchases.

In-lieu fees are calculated proportionately to the land donation requirements. As noted earlier, the home type (single family, apartment) and number of bedrooms determine the land donation requirement. An acreage requirement per home is determined by the worksheet. In-lieu fees require an extra step to determine the fee equivalent to the acreage. For example, a home requiring .01908044 of an acre would multiply that number by the value of improved land, \$75,000.00 per acre in 2006. Therefore, a developer paid \$2,181.00 ($.01908011 * 75,000 = 2,181$) in 2006 for in-lieu fees for a four-bedroom home. Trustee Brown mentioned that in 2007, the value rose to \$139,725 per acre, raising the fee to \$2,665 for a four-bedroom home. By 2013, Planner Crew reported that the recession following 2008 lowered the value of land to the 2006 value.

School Facility Impact Fees

The school system chose to build schools in response to growth, and the taxpayers and school district shouldered the cost of constructing schools. Between 1994 and 2006, the school district added 13 schools to the original three schools. In fact, Dr. Hart from Pleasantville schools said, “The school system asked the taxpayers three times to support building referenda. Once in 2000, two years later in ’02, and finally in 2006.” Later in the 2000s, the municipal planners worked collaboratively with the school system to generate revenue to help offset increasing construction costs. The planning also included leadership from the school systems and leadership from the communities. In 2006, Pleasantville added the school facility impact fee to the annexation agreement. The facility impact fees used a fee table similar to that for in-lieu fees. Consistent with the Naperville Formula, the fee calculation considered the number of bedrooms. Planner Crew pointed out, “Homes with more rooms typically have more school-age kids as would a detached home over an apartment. That’s why they [homes with more rooms] require a higher facility fee.”

After instituting the facility fee in 2006, the village increased it twice. Each fee category increased by approximately 4% in 2007 and another 4% the following year. For instance, a four-bedroom detached single-family home required \$4,826.00 in 2006 for school facility impact fees. In 2007, the amount increased to \$5,019.00, and in 2008, it reached \$5,220.00 for school facility fees. As of 2013, the school facility fees remained the same.

Transition Fees: Revenue for Operation

The year 2006 did more than herald school facility fees in the annexation agreement, but the village created a progressive type of impact fee called transition fees. Transition fees address the two-year tax lag in revenue for the school system that can be used for operation, which Misty Hills did not have. Unlike construction and in-lieu fees, school systems could use transition fees for operational costs such as salaries and benefits. The transition fees had a three-year phase-in beginning in 2006. Mayor Drake said, “This was done because many developers pass along the cost of fees to the buyer. We [municipal government] didn’t want to increase fees too fast.” Trustee Brown voiced a similar sentiment during a 2006 committee meeting: “We [village government] felt that a gradual increase would be better than a large increase at one time. We didn’t want to discourage developers from building in Pleasantville.” Just like all other impact fees associated with Pleasantville, transition fees followed the Naperville Formula. The fees varied based on home type and number of bedrooms. For instance, a typical four-bedroom home in 2006 collected \$821. The following year, the fee increased to \$1,642, peaking at \$2,643 during the third and final year of the phase-in.

Those in favor of transition fees, mainly school leaders and taxpayers, believed their use to be important because their use bridged the “lag-time” in property taxes. Trustee Brown said, “Many taxpayers in Pleasantville are expressing concern about increasing property taxes and we [Pleasantville government] need to look at other ways

to find education.” Mr. West, the finance director of Pleasantville in 2006, offered this rationale for their importance in a 2012 interview:

The school district has an operating deficit in excess of \$10 million. The district had approximately 2,700 new students this year [2005-2006]. To service those children, the district had to hire over 200 new staff, open up two brand new elementary schools, and started the first phase of a third high school. The district is asking for help to offset some of the operating fees due to the 12 to 18 months when the property tax is received after having to educate the students that already moved into the district.

The trustees supported transition fees in Pleasantville; however, some expressed concerns regarding their use. At the Committee of the Whole Workshop in 2006, former trustee Dent said, “I am still concerned about imposing another fee. The revenue [from transition fees] is not enough to cover the district’s deficit.” Trustee Brown also stated in 2012, “There is no doubt that school funding is a state issue....Efforts to change the state funding is a very slow fix, and there is no guarantee that it will be fixed. I am concerned that new citizens may be out-priced due to the number of impact fees assessed.”

Transition fees drew harsh criticism from representatives from real estate associations. Mr. Jones (pseudonym), of a real estate firm, expressed disapproval over the additional fee at a 2006 village committee meeting. He addressed the committee, “It will make houses less affordable....Will County is seeking a road impact fee, local college is seeking an impact fee, where does it stop?” Mr. South (pseudonym), an attorney for Local Home Builders Association (pseudonym), asserted, “There could be significant legal ramification; maybe this could be viewed as exclusionary community fees.” Furthermore, some considered transition fees borderline unconstitutional as it

could be considered double taxation. In 2013, Planner Crew reported no legal challenges occurred.

After 2006, Pleasantville impact fees addressed three challenges associated with school growth. The municipality increased the in-lieu fees to reflect the increased cost of land. Second, revenue received from school facility fees could facilitate the costs associated with school construction. Last, money received from transition fees could help the school system bridge the two-year tax lag. After the three-year phase-in period for the last two fees (school facility and transition), a typical four-bedroom home constructed in 2007 would require \$10,685 in total impact fees.

The housing market collapse in 2008 altered the collection of revenue from transition fees. Mr. Banks reported in 2013 that the schools had not received money from transition fees simply because all subdivisions received approval before 2006, when transition fees became policy. Planner Crew surmised the economy of Pleasantville in 2012:

If houses are not being built, we have no impact or transition fees to collect. Furthermore, the village is in the process of having the value of land reassessed. By doing so, the amount of impact fees in the future will reflect the current value of land. We are asking [the schools] for a more current land value, which will have a dramatic impact on the amount of fees collected. We have seen a more recent land sale value through the housing market closer to \$50,000 than the original \$140,000. That would be a drastic reduction supported by a sound methodology.

Effects on the School System

Between 1990 and 2012, Pleasantville Schools experienced significant change as a result of growth. The school system responded to financial, demographic, and operational (staffing and buildings) impacts. The original impact fees from the 1970s provided land from developers or offset the costs for purchasing land for school sites. In essence, little financial support for the growing school system of Pleasantville existed prior to the early 2000s. School leaders faced difficult financial choices due to the impact fees in the 1990s, when growth began. Their responses impacted the future financial health of the school system.

The rural school district housed in three schools transformed into a growing suburban district during the 1990s. Dr. Hart said, “The tremendous amount of growth we [Pleasantville] were receiving equated to over 2,500 new students per year for over a 10-year period.” During the 1990s, the incredible amount of growth in the school district, partnered with insufficient revenue to offset financial decisions, impacted school financing, staffing, and long-term planning. Growth in Pleasantville required action from the school district administration in order to continue to provide an appropriate education for the students.

Pleasantville schools based their responses in terms of “non-negotiables for students,” according to Dr. Hart. “Non-negotiables” referred to philosophical essentials that the district leadership ensured for all students in Pleasantville. Mr. Banks added,

“Students are here for an education, and we [Pleasantville] must provide manageable class sizes, rooms for students, and appropriate educational programming and staff.”

“Our school district grew significantly,” said Mr. Banks from finance. “However, we added staff and built schools without foreseeing how to fund them.”

The district leadership protected their philosophical “non-negotiables” and addressed three fundamental aspects of school operations in response to growth. First and foremost, the system needed to provide room and sufficient facilities to accommodate the increased population. Second, the impact of growth required the district to hire additional staff (administrative, teaching, and non-certified) to educate and serve the student population. Last, growth trends in Pleasantville affected future financial decisions of the district and the related educational services that changed in the district.

First Response: School Construction

Pleasantville first responded to growth by adding structural additions and additional school facilities. During the sprawl in the 1990s and 2000s, Pleasantville found it challenging to build schools fast enough to accommodate the additional students. Dr. Hart from Pleasantville said during a 2012 interview,

In fact, there have been 25 new buildings since growth began in the early 1990s. The system found itself needing to add schools on a yearly basis between 1996 through 2006. There were some years during peak growth [1996-2006] when we had to build two schools per year to keep up with the additional students. We [Pleasantville] felt that was the expectation of the community as well as our own. So we added onto some buildings, but for the most part, we built. And we built. And we built.

The costs associated with construction presented financial challenges to the school system. Dr. Hart said, “Funding of schools in Illinois is a broken system. Unfortunately, revenue is not at the speed of growth because there is significant lapse in time [two years] before additional taxes are received from new residents, however, the students need an education [non-negotiables] in the meantime.” Throughout growth in Pleasantville, the school system continued to add schools in response.

The district’s choice to build schools as a first response to protect “non-negotiables” was presented a long-term price. The community supported building requests from the Pleasantville schools, known as referenda. The school system requested three construction referenda through 2005. Mrs. Wells from the district office said, “The community always supported our building efforts; unfortunately, they [voters] never passed tax rate increases to operate them [schools].” Mr. Banks said, “We did a very good job building schools to house our students; unfortunately, we never did a great job planning and paying to run them.”

Second Response: Additional Staff

New school buildings and new students required additional staff. The school system began to hire additional staff in response to the increasing student population. Dr. Hart pointed out, “We were receiving an average of 2,500 students per year during peak times of growth, which lasted over a 10-year [1995-2006] period. I define that as significant growth. We had non-negotiables, which drove our decisions.” Particularly,

the administration added teaching staff. Pleasantville wanted to keep class sizes reasonable. Mrs. Wells said, “Before growth started, we had class sizes in the mid-20s.”

The school system chose to hire more staff in order to operate the new schools being built. Dr. Hart said, “Within the 22-year period, when we went from 5 to 30 schools, it wasn’t uncommon for us to hire hundreds of new teachers each year.” The school system was hiring approximately 200 to 250 teachers each year during growth. Mr. Banks said, “The students kept showing up. If growth was projecting we needed to add three additional classes, guess what? We added three more classes, and with that, we would hire three more teachers and purchase three class sets of books and supplies. After all, the students were entitled to what the other kids had that was already there.”

The decision to add more teachers created another staffing need. As a result, the administrative team grew as well. The school system added assistant principals at the elementary and middle school levels in the mid-1990s. Pleasantville created an administrative prototype at each grade level (high school, elementary, and middle school) to ensure consistency across the district. According to employment records, each grade level housed a specific administrative structure regarding the number of deans, assistance principals, etc. Through this decision, the administrative structure remained consistent among schools of similar grade levels.

Each elementary school administrative team consisted of a principal and an assistant principal. Middle schools utilized a principal and two assistant principals. High schools possessed a rich administrative infrastructure made up of a principal, three

assistant principals, one special education director, and an athletic director. Dr. Hart expounded, “As our building level administration grew, so did our district administration as well as maintenance staff.”

Third Response: Funding Decisions

The spending trend that the school district began during the 1990s began a pattern of deficit spending. The financial health of the school system was adversely affected. When growth was underway and schools were being built at a rapid pace, the district “did not take the opportunity to use long-term planning nor addressed how the district would fund the operation of the new schools in future years,” as was told by Mr. Banks in a 2012 interview. The school system was not receiving revenue in proportion with the expenditures during growth in the school system. Mr. Banks said, “In order to survive, the district was deficit spending. There were years when would spend 15, 20, or 30 million dollars more than what they took in that year.”

Growth in Pleasantville did not, alone, cause the school system to suffer financially. Key economic components and financial decisions exacerbated the financial pattern for Pleasantville. Illinois school systems received their revenue and maintained financial health through various sources and financial management. State aid and local taxes were the primary financial contributors to Pleasantville, as well as most Illinois school districts. The EAV of Pleasantville stagnated after 2008, thereby affecting the revenue that the school system received from local taxes.

The growing school system began to incur higher operational costs to protect their “non-negotiables” (salaries, benefits, utilities, etc.). The increasing student population far outweighed the revenue from state, federal, and local sources. The district budget increased significantly during peak growth between 1997 and 2007, when peak growth occurred. Interviews and financial records indicate that the operational budget nearly tripled within 10 years. In fact, the district operated with \$98 million and reached over \$280 million 10 years later. Dr. Hart said, “As a district, we felt an obligation to protect our non-negotiables [students] by building schools and hiring teachers. We did not think about long-term effects when we were growing since the economy was strong.”

Trends in EAV for Pleasantville began to increase when rapid growth began in the mid-1990s. By 2000, the EAV was \$78,543 per student, according to earliest available school report card data. This figure represented about \$10,000 less than the state average of \$88,401 per student. The EAV continued to increase through 2010 in conjunction with the growing population. By 2010, the EAV per student reached \$137,735 and the tax rate decreased by \$.24 to \$4.40 (see Figure 3).

Through the mid-2000s, the percentage of revenue from local property taxes in Pleasantville remained stable. In fact, available financial records dating back to the 1997 tax year indicate that local taxes paralleled the state average. The state average and Pleasantville reported local tax percentage increases of 4% within a 10-year period. District financial reports indicate that the annual revenue generated from local taxed averaged \$13.4 million of a \$234 million annual budget. At face value, this appeared

financially sound because the residents contributed the same percentage toward school funding. However, financial decisions to hire staff and build schools created a significant deficit during growth. Between 1997 and 2008, financial records indicated that the district operated with an approximate \$46.7 annual deficit. The district received \$228 million in annual average revenue and spent about \$275 million per year.

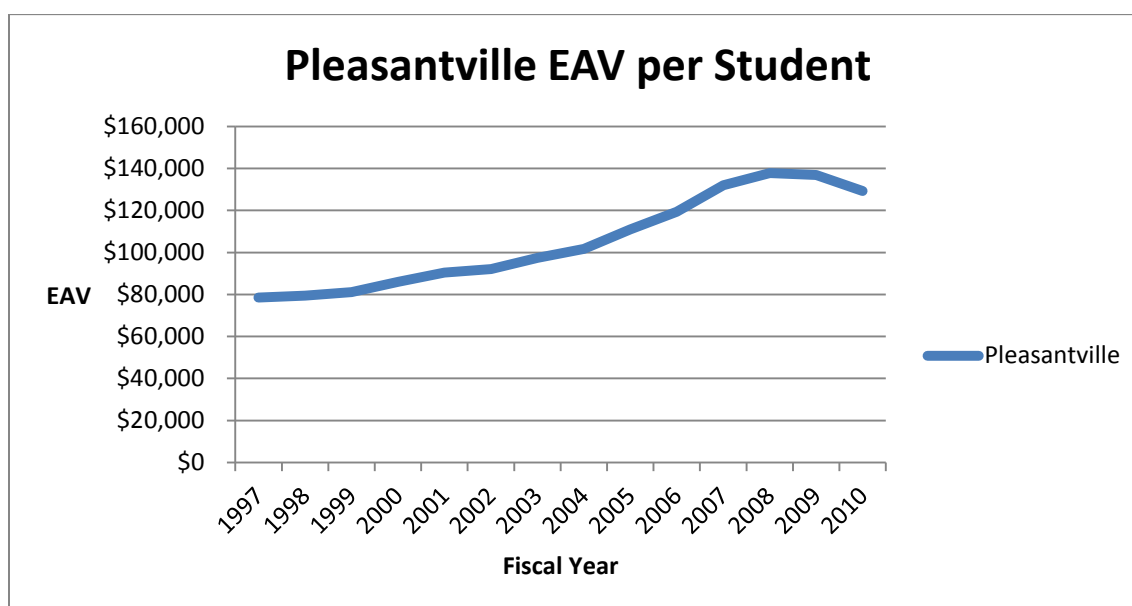


Figure 3. EAV trends in Pleasantville.

Deficit spending became common practice to protect the district's "non-negotiables." Pleasantville used a common method of deficit spending to operate their schools. Mr. Banks said, "The way they [Pleasantville school system] managed to do that was they operated off of their working cash fund and depleted our fund balances." By doing so, the school system issued working cash bonds. Working cash bonds were a

form of bond-sales that a school system levied that did not require residents to vote for them, as is the case when a school system increases the tax rate for residents. This action required the school board to pass a resolution to sell working cash bonds. Mr. Banks said, “It’s basically a ‘back-door referendum.’ We get additional revenue without having to put it to a vote.” The district received additional revenue from the bonds, which was used to supplement the shortfall in revenue. Dr. Hart said, “It’s a treacherous path to do this for an extended amount of time. It’s like living on credit cards. After a while, your credit availability dries up.” Mrs. Wells, a business manager in 2012, said, “It’s a scary path to follow [using working cash bonds]. It reduced our future bonding power, much like consumers that have a low credit score. We [Pleasantville school system] sold working cash bonds six times between 1998 and 2008.”

The financial needs and growth of Pleasantville continued. The school system continued deficit spending and sold working cash bonds. Mr. Banks said, “We [Pleasantville] never went out for a referendum for operating costs, only construction. Which in my opinion was probably a mistake. The public supported building and having nice facilities. They [Pleasantville school system] should have held the line tougher with the public and told them, ‘We are going to have large class sizes because we are not going to build what we cannot afford to operate.’”

Reevaluating Past Practices

The economic downfall following the housing collapse of 2008 forced the district to re-evaluate its spending practices. The system found itself facing staggering deficit spending if their financial planning remained the same. In fact, Mrs. Wells said the district faced a potential \$130-\$140 million deficit by 2015 if spending practices remained unchanged. Pleasantville needed a more aggressive approach to their financial shortfalls. The school district made tough decisions to utilize conservative spending practices to avoid using working cash bonds, ceasing construction, and reducing the work force.

Following the 2008 school year, the district began to reduce operational costs to preserve revenue. “We have four schools we received approval to build but left them on the table” according to Dr. Hart. The school system also made the decision to reduce the amount of staff employed and other responses that were unheard of in the past during growth. The school system decided to eliminate teaching positions and other support roles to help decrease the financial shortfall challenging the district. By taking aggressive action, Pleasantville began to reduce deficit spending. The school systems financial projections changed drastically and were facing a deficit slightly larger than \$27 million, which was greatly reduced from the original projections in 2008 of over \$100 million.

Changes and Student Outcomes

The Pleasantville school system experienced increased enrollment, and with that, demographics and poverty levels changed as well. Demographics reported during the 2000 school year indicated 88.0% White, 2.3% Black, 7.0% Hispanic, and .5% American Indian, and 2.2% from other races. According to school report card data, 1.9% of the students lived in low-income households, significantly lower than the 36.7% state average. By 2011, the percentage of families with low incomes increased to 17.3%, still lower than the state average of 48.1%.

Dr. Hart gave an insightful overview regarding how the student demographics changed in Pleasantville Schools by 2012:

What I failed to plan for was recruiting staff reflective of our students. The biggest, most dramatic change occurred during this growth period, happened, as they say, 'right under our nose' and we, or at least I, didn't plan for it....Simply stated, as we grew, we also changed! Prior to the growth, 98% of our student population was White. Today [2012], less than 60% is White, and our Hispanic population is over 20%....This diversity has added a richness to the classroom and to our schools, which I believe has improved the quality of education in the district demographics and staff development on cultural and ethnic differences.

Between 2000 and 2010, students from low-income households in Pleasantville increased by over 15.0%, reaching 17.3%. This figure was below the current state average of 48.1% as of 2011. However, the low-income percentage from the state average gradually increased by about 1% each year. Similar to the state, Pleasantville's low-income percentage grew 1% until 2008, after which, the percentage more than doubled within the three years between 2008 and 2011.

By 2010, the population became more diverse. In fact, since 2000, students from Black and Hispanic families increased the most, according to school records. The population of Black students has increased from 2.3% in 2000 to 9.0% in 2013, a 400% increase. This figure is about 10% lower than the current state average of 17.6% in 2013. Another significant demographic change occurred among Hispanic students. The number students increased by 300% during the same decade, from 7.0% in 2000 to 22.6% in 2013. This figure paralleled the state average.

Student achievement in Pleasantville remained above state averages through enrollment increases, numerous construction projects, financial challenges, and shifting demographics. Between 2000 and 2013, the district scored over 5.1% higher than state averages on the ISAT. In fact, school report cards indicate that between 2008 and 2011, Pleasantville boasted a consistent 6% average above the state for all students tested on ISAT and as of 2013, scored 11% higher than the state (see Figure 4).

In the rapidly growing district of Pleasantville, the student and staff mobility trends remained fairly steady. Since 2000, student mobility remained stable and averaged approximately 9.5% through 2013. Figures available through attendance and state reports reveal that Pleasantville's student mobility remained over 5% lower than the state average. Mobility among staff remained low as well. "We have a high level of retention in our district; we have 95% retention of staff. Most of the staff has less than 10 years of experience due to the rapid growth of the district," stated Dr. Hart. Mr. Banks said, "Also, with recent economic trends, not many teachers are willing to leave.

Unfortunately, staff members that have left the district recently, are attributed to RIF-ing [reduction in force] because of the economic downfall.”

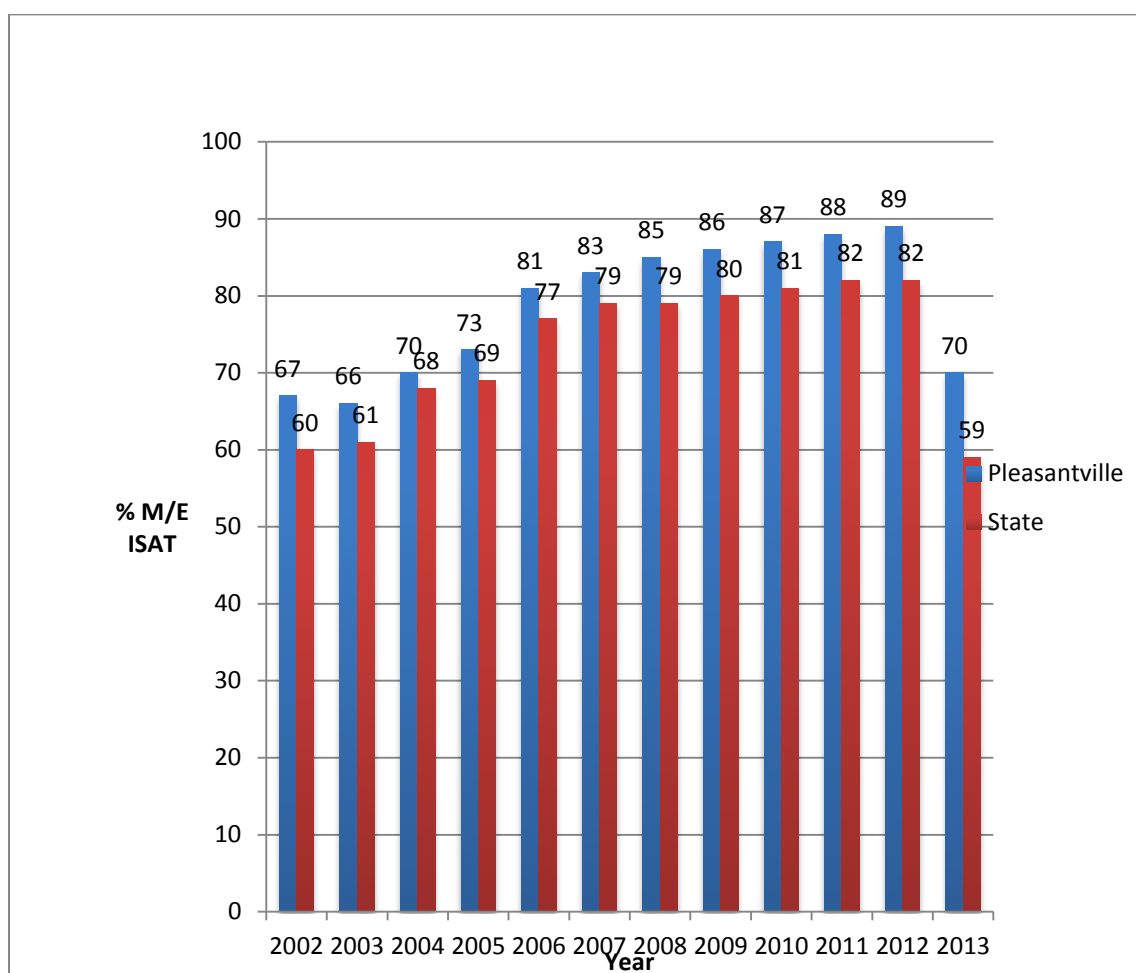


Figure 4. Percentage of students who met or exceeded standards on ISAT.

Pleasantville continued to offer traditional extracurricular and interscholastic sport opportunities for the students. During growth, the offerings remained the same; however,

as the district grew, more personnel were added to operate the programs for the students.

Mr. Banks said:

The school system did a great job working with the community to expand to house students. Unfortunately, the district did not do a very good job making the community responsible for helping operate the facilities. During growth, we would build schools to keep up with growth; impact fees merely helped us keep our head above water, but we never went to the taxpayers to generate more revenue to operate. We are now able to catch our breath since the housing market has stopped and we can focus on changing our spending habits. This is one positive about the recession.

Views and Beliefs of Impact Fees

The community leadership of Pleasantville maintained strong convictions regarding their role regarding all phases of impact fees. Leadership within the community received insight from local school authorities, real estate associations, legal counsel, and neighboring school systems/communities. Their belief focused on what best provided the schools with greatly needed revenue to provide quality education for the existing community and attract new residents. The village continually tried to keep abreast of current economic trends so impact fees would reflect the same. Even though this was a strong conviction of the village, Planner Crew noted, “It’s also a challenge. The impact fees should be supported by a detailed calculation or methodology of how we arrive at them. There has to be some relationship between the impact and the fee we are asking them to pay and should be proportional to pass legal muster.”

The views expressed by the school leaders portrayed mixed messages. Mr. Banks believed that revenue from construction fees merely helped the school district appear to

be in better financial standing. The business office administration stated that the revenue received remains in the district fund balances until construction costs required their use and that construction costs greatly overshadow revenue collected. Dr. Hart summarized the financial picture by saying, “Impact fees merely help us keep our head above water and in no way are sufficient to keep up with growth. Furthermore, when we receive new students, additional tax revenue does not arrive for two years, yet we have a responsibility to provide an education. The manner of funding is a broken system.” The respondents reported a negligible benefit from impact fees, and the citizens needed to pass a referendum each time the district needed to build schools.

Conclusion of Pleasantville

To summarize school conditions in Pleasantville, as a result of growth after 1990, the school system dealt with numerous and significant financial, population, and staffing changes. The school system constructed over 25 schools, resulting in 31 total school sites. The district believed that impact fees did not provide enough financial help. The administration faulted the basis of school funding, in which property tax revenue arrived two years after new students enrolled. With the exception of transition fees, revenue from impact fees could not help fund school operation. The recession that followed 2008 stifled the housing market, thereby halting potential revenue the school could receive through transition fees. Should growth resume in the future, the school could receive funds from transition fees.

After 1990, the Pleasantville school system experienced incredible growth. In fact, school report card data and school enrollment figures reveal that over 25,000 additional students enrolled in the district. The enrollment data from 2013 listed 28,726 according to the Illinois Interactive Report Card (IIRC) and Illinois School Report Card. The district has grown by 870% since 1990, and projections estimate approximately 55,000 students could attend the school system once the community reaches maximum housing capacity.

Summary

The cases of Misty Hills and Pleasantville examined the school system and municipal responses during growth. Even though the responses differed based on the community background and make-up of school leadership, details emerged that explain why the school systems responded in the manner that they did. An overview of changes in municipal policy and school system decisions that took place in response to growth within the communities follow in the next chapter. The cross case analysis explains the organizational themes, behaviors, and responses that presented themselves through my research.

CHAPTER 5

DATA EXAMINATION

This chapter presents the data examination between the school and municipal organizations regarding enrollment trends, school funding, and school responses to growth. In this study, I researched the manner in which organizations behaved and responded to external and internal pressures. This chapter analyzes and discusses the organizational and educational impacts resulting from the decisions and choices made by school/municipal leaders. Their responses and actions resulted from their underlying beliefs and attitudes expressed by the municipalities and schools pertaining to impact fees, school funding, organizational behavior, and inter-system relationships (between the municipality and schools).

This study sought answers to the following research questions:

1. What effect did impact fee revenue, or its lack, have on facility maintenance, student services, and per-pupil impact in two growing school systems?
2. As a result of community growth, what types of new impact fee policies or modifications to existing policies did the local municipal leadership make?

Introduction and Purpose of the Study

School systems located near urban metropolitan areas, referred to as Chicago collar counties, tend to rapidly experience funding and management challenges resulting

from growing enrollment. Illinois legislation permits municipal leaders to pass local laws that require donations or monetary payments to school systems through impact fees. The contributions made by developers intend to help school systems better manage growth.

This study investigated the educational impact of impact fees in communities that experienced growth to learn about their influence and effect on the manner in which school and municipal organizations behaved. This research provides insight and understanding as to how the planning and structure of impact fees occurred as a result of organizational behaviors and relationships. Also, the current examination of the use of impact fees in growing school systems provides information to school, municipal, and community institutions. Furthermore, this research reveals the nuances of organizational behaviors between school systems and municipalities regarding new development and impact fees. After all, schools and municipal organizations exist within the same larger institutional framework. Last, this project could impact policymakers at a larger level regarding statewide policy for school impact fees, because as of 2014, Illinois did not have a school impact fee-enabling act. Many future leaders of growing school systems could face tough decisions, seek remedies for funding challenges, and rely on measures that may increase taxes for its citizens and possibly affect student outcomes.

Institutional theory and isomorphism guided this study as the theoretical framework. I collected municipal and school system data through interviews and extensive archival documentation and analysis. After I gathered and examined the data, I identified commonalities and differences presented by each school system and

municipality. Through the lens of institutional theory and isomorphism, the beliefs and relationships that drove the schools and municipalities responses emerged as a result of the data analysis.

Analysis through Institutional Theory

Introduction

The organizations that I studied in this project behaved and responded to environmental pressures and changed according to their institutional values. I discovered three institutional anchors as a result of this study. First, schools and municipalities as systems behaved according to their norms, routines, and expectations. Second, the organizations imitated successful systems in response to external pressures according to their values and routines. Last, drastic environmental shifts caused the organizations to change. Institutional theory and isomorphism explained how and why the systems responded as they did. In the following section, I discuss how institutional theory explains the beliefs and attitudes that pertained to school funding such as impact fees, property taxes, and growth.

Schools as Institutions

Schools exist because all communities are required to educate their youth. Schools as institutions persist and continue their patterns and behaviors as a response to

the expectations as part of the institutional environment (DiMaggio & Powell, 1991). Scott (1995) identified three pillars of institutions: normative, regulative, and cognitive. The “pillars” refer to established behaviors, rules, norms, and attitudes displayed by institutions yet preserved their legitimacy. Systems behave according to norms/values and seek legitimacy through routines, beliefs, rules, and protocol (Scott, 2004). It was not surprising that schools and municipal leaders behaved as they did in part because they are of the same broader institutional structure and local (i.e., state level) structure.

Schools and municipalities are systems that respond to external factors such as economic changes, political mandates, and public support. Such factors serve as external regulations, referred to as the organizational field, that affect institutional behavior (DiMaggio & Powell, 1991). Institutional theory suggests that schools and organizations existing as part of the same larger framework tend to behave similarly with their beliefs and attitudes. In the current study, schools and municipalities responded to external pressures such as growth and financial shifts through their actions to preserve and promote successful school systems within the community. The school systems hired additional staff and advocated the need for increased impact fees from the community leadership. Having to respond to various pressures placed them in a competitive environment, in this case, with other schools and communities, which they either welcomed or became uncomfortable with because organizational behaviors and routines such as hiring practices and policies began to change. Either way, external pressures such as growth

and financial changes shaped how the organizations (municipal and school) decided to respond.

Isomorphism: Factors that Mitigate Changes to Systems

As institutional theory would suggest, the responses of the school systems paralleled their formal and informal routines, beliefs, and expectations. The school organization responses to such external or environment shifts caused strategic choices about how and whether to do so in their norms and patterns so as to not harm their perceived legitimacy. Institutional theory explained why and how changes occurred within the systems and their various responses because each was a system within a larger framework.

External forces or factors affect systems and cause them to change, which is referred to as “new institutionalism” or “institutional isomorphism” (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). In each community, impact fee policies changed, as did teacher employment, within schools in response to pressures that growth created. As discussed in Chapter 2, three identified mechanisms of isomorphism exist (DiMaggio & Powell, 1992). Changes that result from regulations or laws are coercive changes. Mimetic isomorphism refers to systems that conform to, or imitate, other systems. Organizational shifts that result from professional training or affiliation are referred to as normative changes.

In this study, I found each form of isomorphism present in the behaviors of the community and school systems. For instance, Pleasantville and Misty Hills changed impact fee policies within the legal parameters of local policy and conformed to state regulation. Within each community and school system, the manner in which change occurred imitated the actions of similar organizations in response to growth, such as policy revisions and teacher employment. Isomorphism provided rationale as to how schools and systems responded to external factors and preserved the educational integrity of the school systems.

Both school systems and communities experienced the same larger institutional environment and expressed similar opinions and beliefs. Educational funding existed as a significant institutional regulator to the school organizations. The school leaders believed that the mechanics of school funding became obsolete because state revenue declined over the past several decades, thereby creating greater dependency on local property taxes. As discussed in prior sections, property taxes arrive two years later, serving as a substantial basis for school revenue, which educational and municipal leaders referred to as “funding in the rear,” causing funding issues in each school system. Both school systems responded similarly to their funding challenges through increased debt.

Funding Perceptions and Expectations

Institutional theory would suggest that schools and systems are affected by external forces, such as funding, and formulate their beliefs and opinions regarding it. The debate over school funding fueled campaign promises for politicians and provided significant concern for school leaders. Funding from the state declined over the past several decades and created additional challenges. The revenue loss from the state required school systems to rely more on local taxes. School and municipal personnel behaved in alignment with their institutional field but based on their position, viewed school funding differently.

School leaders across both school districts shared the common belief that the manner in which school funding occurs needed to be revised. Furthermore, local policy-makers needed to advocate for such reforms because successful schools are the cornerstone for a community. I was not surprised to learn from school-official interviews that the underlying attitudes regarding funding were not positive. Increasing operational costs paired with decreasing state aid faltered the confidence school leaders had in educational funding. The municipal leadership agreed with schools leaders that funding became inadequate and flawed yet believed that state officials needed to address school funding. Furthermore, municipal leaders, as elected officials, shouldered the responsibility to oversee all taxing bodies.

The school leaders followed routines and patterns consistent with their belief that school funding became broken and inadequate. The beliefs voiced by school leaders

triggered behaviors and attitudes that set an underlying tone that school funding beckons greater advocacy from their local government officials and should occur for crucial funding reform. The educational leaders stated that quality schools attract and stimulate a thriving community. Based on the opinions of educators, the community leadership receives significant benefit and gains legitimacy as an organization from successful schools; therefore, more activism should occur to foster and protect their success as well as their perceived legitimacy as an institution.

However, the expectations regarding the responsibility of school funding presented a differing interpretation according to the municipal organizations. Impact fees facilitate school construction costs; however, school advocates believed that municipal leaders often overlook long-term operational costs. Two retired administrators from Misty Hills and Pleasantville expressed that the behaviors triggering the municipal actions had underlying political charges. Dr. Hart, from Pleasantville said, “The benefit from impact fees is far outweighed by long-term costs from growth. Yes, the money helps, but I think it’s a political way of showing the voters that they [community leaders] are trying.” Dr. Smith, from Misty Hills, expressed the same attitude, “What impact fees provide is a pittance of what schools need. They think there’s a windfall of money. Fact is, there’s nothing to help us after a school is built.” Schools expressed the need for future funding revisions and worked with municipal organizations to improve impact fees.

Educational funding served as a significant external force that cultivated attitudes

among municipal and school leaders. The government respondents expressed that the two-year tax lag associated with funding needs to be addressed by state officials. The municipalities believed and expressed that funding is the responsibility of the state and should not rely as heavily on local taxes and that they fulfill their obligation to the schools through impact fees. Mr. Builder, a member of the Misty Hills Village leadership said in 2012, “[We] have to constantly work with all taxing bodies to make sure you are covering their impact as well. Schools don’t necessarily have to worry as much about other taxing bodies, but we do because we answer to all citizens and all taxing bodies.”

The organizations expressed different views and expectations of educational funding and growth. School organizations implied that communities and state government needed to offer better funding solutions for schools, in particular, the manner in which local tax revenue is utilized. Although the municipalities concurred that the manner of educational funding was “flawed,” the state, not the local government, was ultimately responsible for funding reform. The local government behaved as they did due to policy restraints imposed by state policy and law.

Municipal Legitimacy and Collaboration

Of no surprise, prior to growth, the communities and schools appeared to have little concern for impact fees. Without growth, the need to address impact fee policy did not exist. The population in each community remained constant. The steady population

maintained a stable environment for schools and municipal organizations, so impact fees went unnoticed. Likewise, the need for collaboration and discussions regarding growth did not present itself.

Growth created environmental pressures on schools, and impact fee policy revision came to the forefront as the schools faced overcrowding. School leaders blamed the community leaders for not doing enough to help address growth. The reputations of the school institutions and municipal organizations found themselves under the scrutiny of the community members and worked to preserve or repair their perceived legitimacy.

Schools and municipalities existed as part of the same larger community environment, and, of no surprise, the organizations collaborated to demonstrate concern in for their community stakeholders. The school systems addressed concerns to their respective community organizations to address issues that arose from growth. In response to factors associated with growth, such as funding shortfalls and overcrowding, the municipal and school organizations sought solutions to benefit the school institutions. As an initial result, the impact fees provided school funding for construction and property. Meanwhile, the municipal system received approval of the citizens by supporting policy improvements for the schools to benefit the students of the community. Each organization sought positive relations with each other, even though they hosted different attitudes and views of funding.

Misty Hills used open dialogue with the school leadership to address concerns regarding growth, to help provide quality schools for the citizens. After significant

growth, the village leadership met with school officials in 2006 and discussed the changing school conditions and challenges caused by growth and how impact fees could help schools. In response, the municipal leadership made appropriate changes to reflect the economic climate of the community. I learned through interviews with the municipal leadership that a village task force investigated similar communities and learned from their successes and challenges. The village kept the school leaders abreast of policy revisions throughout the process. By doing so, the village affirmed their stance to help preserve quality schools to the taxpayers and the school leaders. During preliminary discussions, the village administration met with the superintendent and a planning committee comprised of school board members. In 2012, Mr. Builder said, “We have an obligation to all of our taxing bodies to work with them and find out what is needed to help out [a growing community]. That’s what voters expect, and that’s what we do. Throughout the process [growth] we have included schools, parks, and libraries.”

Growth continued, and the municipal leaders from Misty Hills found themselves needing to address growth for a growing community by helping school construction costs. The minutes from village board meetings illustrate various resolutions adopted between 2006 and 2009, which indicated aggressive changes in impact fees that significantly raised revenue for school construction. The behaviors also reflected an underlying expectation from the taxing bodies and community residents to keep pace with growth in a socially and fiscally responsible manner. In 2012, Trustee Doe said, “When I used to be mayor, we always wanted to keep the schools a priority when

developers came here.” Interviews with the leadership revealed the belief that successful communities must provide appropriate services for the residents, which included good schools.

Pleasantville’s organization behaved in accordance with institutional theory as members of the same community as the school and therefore, acted in accordance with their expectations and beliefs regarding school funding and growth. Pleasantville behaved in the same manner that Misty Hills did to provide support for the school system through impact fees. Trustee Dent expressed that the citizens held the expectation that the municipal leadership should assist the school system. By doing so, the community was able to provide quality education for the existing community and attract new residents.

The village continually revisited impact fees to kept abreast and reflect the current economic trends. In 2012, Planner Crew said, “The impact fees should be supported by a detailed calculation or methodology of how we arrive at them. There has to be some relationship between the impact and the fee we are asking them to pay and should be proportional to pass legal muster.” During growth, Pleasantville added and modified impact fees in response to external factors such as increasing land value and additional residents.

Preserving Legitimacy

The schools followed previous routines when educating their students such as accommodating students through lower class sizes and building new facilities. Deficit spending became the “new norm” to preserve past expectations. Schools continued to deliver services with new staff, and unfortunately, revenue from taxes arrived two years later. The spending cycles created underlying tension between the school and municipal leaders. Growth created additional operational costs, and schools shouldered significant financial deficits due to the manner in which schools were funded. Both school systems believed that the municipal leadership and the state leadership should investigate ways to improve school funding, especially for those located in growing areas.

External and internal pressures tested many core beliefs and values of the school systems. Community members voiced displeasure for increased class sizes at community forums and school board meetings. The school systems protected their output—students through increased staff—while shouldering higher deficits. Past expectations of low class sizes continued without regard for the future financial issues that this created. The schools worked to accommodate changes and addressed the pressures from the changing communities.

The school leaders expressed frustration when long-term costs associated with rapid growth began to build and created financial instability within the organization. Deficit spending negated the intended benefits of impact fees. The Pleasantville school system followed prior routines and hired additional staff to maintain low class sizes

without attempting to raise local taxes to fund their decisions. Mr. Banks summarized the underlying beliefs held by school leaders and said, “Impact fees have a negligible positive effect for schools experiencing rapid growth. And furthermore, the financial deficits are significant after growth.”

Administrators from Pleasantville and Misty Hills perceived impact fees to be inadequate and politically motivated. Dr. Smith, a retired superintendent from Misty Hills, believed that impact fees did not accomplish what they were intended to do. He said, “Impact fees are necessary to offset the cost of new students. It’s a constant battle to get money, and there is up to a two-year wait for additional money [taxes].” Both sets of administrators shared the same perception and expressed similar concerns regarding the insufficient manner schools were funded and the role of impact fees. School leaders implied that municipal leadership in their communities approached impact fees in a more “delicate” and conservative manner than they had hoped. Mrs. Wells said, “They are very political in their approach. I suppose they need to be, since they [village board members] are voted in.” The municipal leadership continued to follow the belief that they protect schools as well as all taxing bodies.

I discovered that underlying beliefs and attitudes from the municipal leaders guided their decisions and behaviors, and being organizations of the same larger system, they acted accordingly. Municipal organizations, being part of the same institutional framework as schools, held expectations for educational funding and impact fees unique to their role in the community. The municipal leaders within both school communities

believed that their legitimacy as socially responsible municipal leaders extended beyond the responsibility for schools to all community organizations. The leadership acted responsibly on behalf of the community by considering all taxing bodies to help their growing communities prosper.

The community leaders believed that they acted in a responsible manner to maintain the approval of their citizens even as external pressures, including growth and financial circumstances, changed. Archival records and interviews revealed that the municipal leadership in Misty Hills assessed their impact fees annually to stay aligned with the financial climate of the community. Mr. Builder from Misty Hills explained the municipality's rationale:

Impact fees must be current ... because of the way we [Misty Hills] look at it [impact fees] annually, which is very unusual; most communities don't do it this way. They [other communities] may look at it every three or four years. We look annually, and if suddenly we took a huge increase in land values, we could automatically increase the amount of impact fees.

Each municipality behaved and made decisions to reexamine impact fees and align them with current economic trends. In doing so, each municipal organization believed that they demonstrated financial responsibility for the community.

Imitation

Institutional theory assumes that organizations crave and seek legitimacy through their formal and informal routines, schedules, and procedures (Scott, 1995). DiMaggio and Powell (1991) and Levitt and March (1996) suggest that although such organizations

behave according to established protocol and rules, organizations tend to become more alike, or homogenize. Systems typically replicate what has worked for successful models. Consistent with mimetic isomorphism, each school organization in this study mimicked protocol and responses from other perceived successful school systems.

The school and municipal leaders shared growth as a common issue, being members of the same community and economic environment. Both organizations and schools researched and imitated what their perceptions of successful organizations in growing communities did. For instance, the municipal leadership from Misty Hills established and reassessed their impact fees in the same manner that Local County did during its growth period 20 years earlier. Pleasantville restructured its impact fees in the same manner as well. In addition, the school leaders managed growth quite similarly. Misty Hills and Pleasantville used what growing school systems did earlier.

Delayed property taxes and the resulting financial challenges affected the community institutions similarly. These pressures affected the schools and municipalities and forced changes. Misty Hills and Pleasantville municipalities sought resident and school system approval and began to make necessary policy changes to their impact fees. The school systems also addressed the same external pressures. Both school systems added additional schools and personnel to keep pace with the new students. School systems experienced similar external pressures, such as funding and growth. I was not surprised that the schools, being forced to change, replicated what successful growing systems had done.

Imitating or “mimicking” other school systems provided “quick-fix” solutions and addressed concerns within the organization, such as overcrowding. Each school used cost-savings measures and timeliness that yielded convenience and positive attributes for the systems. Misty Hills saved money in architectural fees by using the same construction firm from prior projects. Superintendent Green, from Misty Hills elaborated their similar process. He said, “We used the same architects that built the junior high 15 years earlier. This was what Neighbor school system [pseudonym] did when they were growing years before us. It worked well for them, as far as savings went, so we took their lead.” Pleasantville kept a prototype model for future schools. The organizations saved planning and designing expenses during growth. Dr. Hart, a Pleasantville superintendent said, “We took the approach that Local County Schools [pseudonym] did during the ’80s. We used a standard blueprint-style building plan to save money with architecture fees in the future.” It appeared that financial responsibility and efficiency drove such decisions by the schools.

Following the lead of other organizations could have presented potential limitations. The school systems made assumptions that what worked elsewhere would provide the same results again. For example, the schools saved revenue and conserved time, but did not take the opportunity to employ creative problem-solving. Perhaps Pleasantville could have developed a successful construction model that other communities would imitate and become “legitimate” organizations by following their lead. Misty Hills took a similar approach to Pleasantville by using the same architects.

Potentially, the schools may have passed up the opportunity to seek unique construction initiatives by using the same companies as in the past.

Throughout the process of change, it became apparent that time-honored traditions and expectations at first remained. The schools continued to protect their “non-negotiables” during growth. In spite of revenue challenges, the school leaders made choices concerning staff hiring, deficit spending, and student services based on their long-established routines. The organizations continued to behave according to past protocol and imitated successful systems. Meanwhile, their debt increased, and the spending cycle continued. School construction funding relied heavily on the additional revenue from impact fees, necessary to accommodate new students. The school leaders cited overcrowding and increased operational costs as a financial obstacle; however, as socially responsible school leaders, they followed their duty to protect their “non-negotiables.” Thus, more staff was needed, operational costs increased, and so did their spending deficit. The pattern continued, after all, and the thriving economy facilitated past practices and routines.

Institutional Collaboration

Being that schools and municipal organizations shared the challenges associated with growth, the need for increased dialogue and discussions became necessary during later stages of growth. Each municipality added and adjusted its impact fees. After all, community leaders had institutional capital to protect and even strengthen through the

support of the voting population. The municipalities, admittedly, needed to address and revise impact fees for schools because growth and overcrowding became problematic. During the early stages of growth, Pleasantville's impact fees collected revenue for land purchases, as was the case in Misty Hills. Impact fees for school construction or operation in either district did not exist until collaborative planning took place.

Similar behaviors and changes occurred among the communities regarding growth policies. Not only did homogenization occur through adopting similar policies, but also, both areas followed similar paths during the process of implementing and restructuring existing impact fees. The citizens of Pleasantville pressured community leaders to address the tremendous growth and overcrowding the schools were facing during the early 2000s. The school system of Pleasantville housed students from several municipalities, creating a challenge to network effectively and develop an impact fee agreement consistent among all of the involved communities. The school and community organizations worked together and established a "universal" system for impact fees.

Organizational leaders from both communities agreed that school systems needed additional revenue to facilitate growth through impact fees. Conversations between the agencies occurred among the school system and municipal leadership in the communities. In fact, I discovered during interviews that Pleasantville and Misty Hills admittedly structured their impact fees after a perceived successful model. The resulting policies created followed the "Naperville Formula." As previously discussed, the Naperville

Formula served as a convenient blueprint for imitation because the fee structure correlated to a formula that anticipated the number of additional students.

Crowson and Boyd (1993) argue that collaboration among organizations can occur as long as they share a common problem. The communities and schools shared increasing population as a commonality. However, the school systems believed that they prompted such actions through their assertion. The school leaders shared (candidly) that if such “prodding” did not occur, action on behalf of the local policy-makers may not have happened.

Municipal leaders believed they behaved in a socially responsible manner in the eyes of the community, perhaps fortifying their perceived legitimacy. Policy changes to address funding shortfalls for school construction occurred in each community. Both increased existing impact fees and created new ones. For instance, the policy revisions increased the in-lieu fees to their land donation requirement. By doing so, the school systems received more revenue to purchase land at a later date in the event property was not immediately needed. The communities also added school construction fees, providing funds to help offset construction costs. The community leaders stated that their investment in a thriving community with strong schools drove their decisions.

The economy continued to thrive through the 2000s, and the prosperity created the need for higher impact fees and provided the opportunity to seek additional funding methods. School leaders from Pleasantville seized the situation and advocated for stronger policy by adding transition fees. Transition fees created the potential for

additional funds to help offset the revenue shortfall associated with the tax gap. The addition of transition fees created internal concern among the municipal leaders of Pleasantville. Members from the board expressed concern regarding the additional impact fees. Trustee Dent said, “I am still concerned about imposing another fee.” Trustee Brown added, “There is no doubt that school funding is a state issue.” In fact, archival records reported that although trustees in the end supported increasing impact fees, developers and real estate groups vocally opposed their actions. Such groups believed that impact fees potentially out-priced many buyers. In spite of opposition from realtors and developers, the community leadership responded in a way that preserved their legitimacy as an institution that kept the interest of the community at the forefront.

Broader Environmental Shifts

The school system responded to broader environmental change. Institutional theory argues that from an educational standpoint, systems give the appearance of changing as they remain the same (isomorphic) (Hanson, 2001). Prior to 2008, many school and municipal financial responses appeared easy during the growing housing market and strong economy. The spending patterns of the schools and community continued because the thriving economy and housing market appeared to support their actions. However, drastic environmental pressures can force a system to change, as occurred on a national level following the recession of 2008. The economic downfall

plagued community and school organizations. The profound financial crisis placed unprecedented pressures on the institutions.

The nationwide recession stifled the housing market within the communities. The housing market collapse following 2008 created an economic crisis that profoundly affected both Pleasantville and Misty Hills. Home construction virtually came to a standstill, and the property values depreciated as a result. Mr. Banks said, “The lack of new students allowed us to catch our breath with growth, but the declining EAV and property values and the state’s lack of providing money we were entitled to crippled us financially.” Property values declined to nearly one-fifth of the original appraisal. The community and school leaders realized the significance this had for impact fees.

The recession weakened the state economies as well. With the combination of the housing market collapse and declining state revenue, the local municipalities began to assess and recommend changes to their existing policies for growth and impact fees. The economic downfall and housing market collapse affected more than impact fees for both school systems. Misty Hills and Pleasantville received substantially less money from state and local taxes as a result. During growth and the previously strong economy, the school leaders created a pattern of deficit spending to compensate for the two-year tax lag. The manner and the level of deficit spending between the systems had differences. Misty Hills, being a significantly smaller school system, incurred far less debt than did Pleasantville. Because Pleasantville began to grow in the early 1990s, 10 years earlier than Misty Hills, it carried higher debt.

The unprecedented financial crisis after 2008 created several significant issues that forced changes within the school systems. Former beliefs, values, and other “non-negotiables” no longer appeared untouchable. The school systems began to preserve the remnants of their weakened financial legitimacy through tough decisions that ultimately resulted in decreased services for students. The school systems began to make small steps at first. Non-essential positions, such as teaching assistants and transportation occurred first. The institutions attempted to “stay the course” and protect their institutional output for their respective communities. The financial crisis that began in 2008 forced the school systems to address the staggering debt incurred during growth. Mr. Banks said, “We [Pleasantville Schools] were shouldering greater and greater deficits. We needed to slow this pattern.” Pleasantville responded by taking a firm stance to reduce deficit spending. In fact, Mr. Banks reported that between 2009 and 2011, the Pleasantville school board eliminated numerous teaching positions and increased class sizes. Furthermore, non-essential aide and maintenance positions were eliminated. Superintendent Hart pointed out, “We had always kept class sizes desirable; low to mid-20s were what we considered the ‘norm.’ After eliminating positions, the class sizes increased to the low to mid-30s.”

Misty Hills responded to the financial perils following 2008 by eliminating certified and non-certified positions. However, due to the smaller size of the district, fewer positions were eliminated. Superintendent Green of Misty Hills said, “We [Misty

Hills school system] operate very lean as it is. There's not much fat [excess positions] to trim." Misty Hills eliminated non-essential aide positions during the 2010 school year. Board meeting agendas indicated that prior to the 2010 school year, the school leadership cleaning decreased the service contracts and reduced the school supply budgets. The cost-saving measures did not make enough impact during the following year. In 2011, the school board ratified a recommendation from the superintendent to eliminate 12 full-time teaching positions in the district. The positions represented approximately 10% of the teaching force. The response increased class sizes to the upper 20s throughout the district.

The municipal organizations responded differently in the midst of the larger-scale economic shifts associated with the 2008 economic collapse. The environmental pressures forced drastic changes and financial reform in both communities. Each attempted to remain financially responsible as elected officials of the community. The municipal leaders acted in accordance with the core belief that "Impact fees should stay current with the economic climate," according to Planner Crew from Pleasantville.

The municipal leadership from Misty Hills took aggressive actions to align impact fees with the economic climate. Much to the ire of school leaders (school board, administration) the local government adjusted the impact fee policies to reflect the current financial climate and hopefully "attract new residents," according to Mr. Builder. The village administration amended the annexation policy, eliminating school construction impact fees and reducing in-lieu fees. By doing so, the school system could

no longer receive revenue for future school construction. Furthermore, the reduction of in-lieu fees decreased funds for future land purchases. The revised in-lieu fees created a two-thirds revenue loss. The modifications to impact fees created concerns for the leadership in Misty Hills schools. In 2013, the superintendent said, “With the economy being what it is, less people are certainly moving to our community. But if that were to turn around and we were to see significant growth once again, I would hope the village would immediately raise those impact fees.” School administrators from both school systems stated that the slowdown of growth allowed them to “catch their breath,” but remained concerned about the future of impact fees should the economy rebound in the future.

Pleasantville discussed possibly reassessing their impact fee policy. In 2010, the strategic plan for Pleasantville reported that land values had dropped by 75% from two years earlier. In 2012, Planner Crew, the Pleasantville building planner said, “We need to readdress the depreciated value of land so as to keep it current with the fair market price of land.” Pleasantville responded similarly to Misty Hills and decided to lower their in-lieu impact fees to be aligned with current land values. As a result, the action decreased the cost to 2006 values.

As a result of broader environmental changes, each municipality made attempts to address policy. Misty Hill’s leadership reduced impact fees to reflect the economic trends of the community. In 2012, the leadership of Pleasantville investigated and

restructured impact fees. The municipal organizations believed that their communities deserved quality schools for current citizens and to attract new residents as they existed within current financial parameters. Last, they believed that educational funding became inadequate; however, because it was a state issue, it should be addressed by the state legislature. Institutional theory infers that organizations seek legitimacy through their actions and beliefs. This study revealed that the municipal leadership strived to maintain approval from its constituents through such actions. Likewise, the community believed that the leadership had proper intentions for the benefit of the citizens.

Summary: Perspectives and Relationships

The schools and municipal governments existed within a similar, larger framework. In each case, the community served as the larger institutional force, encompassing the schools and village government. This study revealed that each organization behaved in a manner to preserve legitimacy, as institutional theory would assume. In both cases, I found that the schools and municipalities shared an amicable dialogue, but possessed strong opinions that candidly pointed the finger at each other. Collaboration between the municipalities and school systems occurred after circumstances within the school organizations created tension. In each case, the local government consulted with school officials and researched other growing organizations throughout the process, but ultimately acted upon their values as legitimate government agencies.

Both cases illustrated an interrelated benefit between schools and communities. School systems benefit from successful municipalities and vice versa. However, the individual institutions revealed unique nuances relative to their political affiliation. Their affiliation (school or municipal) explained the values/beliefs regarding educational funding and impact fees. As noted, municipal leaders followed the expectation of fiscally sound decision-making for the entire community. Therefore, community leaders support not only school systems but all organizations within the community. School systems, though one of the several taxing bodies in the community, obviously held greater interest in promoting methods of school funding to benefit schools in growing areas.

Findings and Conclusions

The results of this study presented several beliefs and attitudes between the school and municipal organizations. The findings from this study served as the cornerstone that produced rationale and explained system responses toward impact fees and funding. After examining the data, I formulated explanations that answered the research questions that guided this study. Last, this study presents further research implications for school and municipal leaders.

Research Questions: Findings

1. What effect did impact fee revenue, or its lack, have on facility maintenance, student services, and per-pupil impact in two growing school systems?

School funding in Illinois bases tax revenue from two previous years of assessment. The community leaders referred to this as “funding in the rear,” meaning tax money from new residents arrives two years later. Therefore, the tax revenue does not portray or serve as a true financial indicator of the school system. With the exception of transition fees, most impact fees help school systems construct buildings or buy land.

School systems may use revenue from construction impact fees to build new facilities and expand existing structures. In fact, Pleasantville built numerous additions and new schools during growth. Prior to 1990, the system consisted of four buildings, and by 2013, the district encompassed 31 sites. During the onset of growth, impact fees did not generate funds for new buildings, only land contributions. School construction impact fees began in 2006, which assisted school construction for future growth. In the case of Pleasantville, impact fees enabled the district to construct additional structures after 2006 without shouldering the entire cost through deficit spending and increased taxes for the residents.

During the early 1990s, Misty Hills needed to address overcrowding of the original one-school configuration. The lack of school construction impact fees required additional tax revenue from the citizens to construct a new junior high school. The community continued to grow rapidly. In 2005, the municipality added school construction fees, and the system acquired land and constructed a new elementary school.

Additional impact fees enabled the organizations to utilize additional resources to build structures without adding additional taxes for the residents. The school systems

incurred additional debt prior to school construction impact fees to expand facilities for the growing student population. The additional revenue fostered new construction and additions to existing schools. However, effects of student services and per-pupil impact from impact fees, or their lack, did not present itself in the findings of this project. In fact, interviews and archival records noted achievement scores remained strong in spite of larger class sizes as a result of teacher lay-offs during the recession.

2. As a result of community growth, what types of new impact fee policies or modifications to existing policies did the local municipal leadership make?

Within each community, I learned that impact fees prior to growth appeared to be inadequate. In the communities, the municipal leaders found themselves addressing school concerns such as overcrowding and tax increases to build facilities. The municipal organizations addressed concerns from school leaders and examined the structure of policy regarding growth. The communities and schools learned throughout the process, and impact fees evolved as a result.

Pleasantville and Misty Hills implemented school construction fees when growth created a significant need. The growth policies in the communities provided land and revenue for land during the onset of growth. The schools rapidly found themselves dealing with possible overcrowding. The school district responded by increasing debt to build new schools. Higher operational costs became the norm as a result of the additional staff members hired to service the growing student population.

Pleasantville addressed operational costs by implementing transitional fees. The recession following 2008 halted growth in Pleasantville. As of 2013, the school system has yet to receive operational revenue from transition fees. Perhaps when growth resumes, the fees could be assessed for their effectiveness and more school districts could begin to use this type of revenue as additional impact fees. It appears that school systems need to seek additional revenue until funding for school systems is reassessed. Meanwhile, their respective municipalities experienced a larger obligation and were bound to a system that acts as the compass for the manner in which they were allowed to assist schools.

Recommendations for Current Practice

Results from this study identify a need for current school and community leaders to possess working knowledge of the mechanics of school impact fees. Within both cases of this study, each school system became challenged to address funding and construction issues created by growth. In the case of Misty Hills, the ordinance for land donations did not address geographical requirements, and required the school system to finance the corrective measures to make the parcel suitable to build. Common within both communities, the school and municipal leaders began to address school impact fees after growth became a challenge.

Based on the findings of this project, I offer the following recommendations for current school and municipal leaders:

1. Establish a set of economic triggers to ensure impact fees be reevaluated to ensure that their structure remains parallel to the economic climate.
2. Establish land requirements that ensure land donations are suitable for future construction.

Implications for Future Research: School Systems

The results of this study present potential future research topics for consideration. The leaders of the school systems shared opinions through interviews that impact fees seemed insufficient and need improvement. School leaders believed the design of impact fees helped schools with only short-term expenses. Prior to modifying their existing growth policies, the impact fee revenue facilitated new school construction and land purchases.

Even though impact fees evolved through municipal collaboration, school leaders implied that the greater issue of educational funding is the responsibility of state and county leadership. The long-range costs associated with growth far outweigh the short-term relief of impact fee revenue. Misty Hills and Pleasantville schools protected the educational integrity of their students (non-negotiable) through deficit spending to operate during growth in response to revenue shortfalls.

I recommend that further research is needed, having implications for school leaders.

1. This study should be replicated after the housing market and economy rebounds.
2. This study should be replicated in other Illinois areas for a comparison of data.
3. A study on the national level should be conducted to compare school system trends in other growing areas to study trends on a larger scale.

Implications for Future Research: Municipal Leadership

Municipalities indicated through interviews that impact fees facilitate school systems during growth and, therefore, accomplish their purpose. Their use intends to help school systems fund additional buildings during growth. Local government organizations admit the importance of quality schools, but must make policy decisions to keep aligned with current economic trends. Misty Hills acted in this manner after the economic recession that began in 2008 and, in response, eliminated school construction fees and greatly reduced in-lieu fees. Furthermore, the community leadership noted that by keeping impact fees consistent with the economic climate, this might, in fact, attract new growth to the communities and thereby stimulate the economy at the local level.

Municipal organizations exist in the same larger framework as do schools. However, a different level of responsibility governs their decisions. Mr. Builder from Misty Hills said, “Schools have concern for their students and their district, which I think is obvious. However, we, as a village board, look out for the schools, but also have to protect all taxing organizations in the community.” As elected officials, the village

trustees must act fiscally and ethically responsible as they oversee all aspects of the community. The village administrators continued to investigate and adjust policies that impact the community to maintain fiscal responsibility for the taxpayers.

I recommend that further research is needed, having possible implications for community leaders.

1. This study should be replicated after the economy rebounds.
2. This study should be replicated at the state level to compare data from various Illinois communities.
3. This study should be conducted by a professional organization to gather information regarding school funding at the state and local level.

Conclusion

In conclusion, this project presented and revealed several key points regarding impact fees and the responses community/school leaders took during growth and recession. School funding and budgeting, beliefs regarding impact fees, and collaboration between municipal and school leadership presented as main topics between the two cases. The current study also revealed school systems and the community leaders behaved similarly, as organizations within the same community. Collaborative planning occurred in the communities; however, underlying attitudes regarding the responsibility of funding differed. During interviews, school leaders explained more should be done at the local and state level to assist schools during growth. Meanwhile, government

leadership expressed that the issue of school funding lay beyond their control, an antiquated system, and had to be addressed by the state. The leaders from each system agreed that there existed a need to investigate and revise educational funding.

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APPENDICES

APPENDIX A

POPULATION TRENDS IN MUNICIPALITIES

Population Trends in Municipalities

<u>Municipality</u>	<u>1990</u>	<u>2000</u>	<u>%Growth</u>	<u>2010</u>	<u>%Growth</u>
Butter Brook	40843	56321	37.9	73366	30.7
Beacon	7669	10408	35.7	10559	1.5
Chantilly	4266	7344	76.6	12560	71.0
Crabtree	10643	13329	25.2	20837	56.3
Eagle Ridge	951	1620	70.3	2279	40.7
Freeport	7180	10391	44.7	17782	71.1
Misty Hills	2059	3330	61.7	7051	111.7
Mill Field	2561	3971	55.1	10073	19.2
Naddy Ridge	85351	128358	50.4	141853	10.5
Normal Acres	9627	17771	84.6	24394	37.3
Pleasantville	4557	13038	186.1	39581	203.6
<u>Romberg</u>	<u>14674</u>	<u>21153</u>	<u>44.2</u>	<u>39680</u>	<u>87.8</u>

Note. Data utilized from U.S. Census figures. All community names have been coded for confidentiality.

APPENDIX B

POPULATION TRENDS IN COLLAR COUNTY MUNICIPALITIES

Population Trends in Collar County Municipalities

<u>Municipality</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>% Growth: 20</u>
<u>Years</u>				
Butter Brook	40843	56321	73366	79.6
Chantilly	4266	7344	12560	194.4
Crabtree	10643	13329	20837	95.8
Eagle Ridge	951	1620	2279	139.6
Freeport	7180	10391	17782	147.6
Misty Hills **	2059	3330	7051	242.4
Mill Field	2561	3971	10073	293.3
Normal Acres	9627	17771	24394	153.4
Pleasantville **	4557	13038	39581	768.6
<u>Romberg</u>	<u>14674</u>	<u>21153</u>	<u>39680</u>	<u>170.4</u>

Note. Data utilized from U.S. Census figures. All community names have been coded for confidentiality.

** Community selected for the study.

APPENDIX C

PRE-STRUCTURED CASE OUTLINE

Pre-Structured Case Outline:

1. Background of community.
 - a. Type of Community (blue – collar, executive, impoverished).
 - b. Demographics.
 - c. Current population.
 - d. Population in 2000.
 - e. Population in 1990.
 - f. Percentage growth 1990 to 2010.
2. Background of the school system.
 - a. Age of the school system.
 - b. Historical record of building and construction.
 - c. Chronology of growth.
 - d. Demographics.
 - e. Population (before, during, and after growth).
 - f. Growth rate.
 - g. Trends in equalized assessed value (EAV).
3. Municipal Policy.
 - a. Beliefs and norms in the community regarding social responsibility of growth.
 - b. Impact fees structure and planning.
 1. Structure of impact fees in 1990.
 2. Current impact fees.

4. School conditions: As a result of growth in the community and student population, how did impact fees affect the following? Were the impact fees adequate? Does the structure of the impact fees relate to the beliefs and norms of the community?
 - a. Financial status.
 - b. Capital additions.
 - c. Enrollment trends.
 - d. Student achievement.
 - e. Student discipline.
 - f. Teacher mobility.
 - g. Demographics of new students.
 - h. Number of new students.
 - i. New programs (remedial, advanced, special services, etc.).
 - j. Administration.
5. Data Analysis: A comparison of Communities A and B as well as School Systems A and B.
 - a. Growth comparison of Communities A and B.
 - b. Growth comparison of School Systems A and B.
 - c. Impact fees structure comparison and examination of School Systems A and B.

- d. Comparison of school system conditions and outcomes from Systems A and B.
6. Conclusions: This section will address the relationships existing as a result of impact fees such as school conditions and outcomes, impact fee structure, and collaboration between municipalities and school systems.

APPENDIX D

PROTOCOL FOR SCHOOL DISTRICT ADMINISTRATION

Protocol for School District Administration:

1. What is your educational background?
2. What roles have you held in the field of education?
3. What is your current position?
4. How long have you worked in this school system?
5. Do you reside in the school community (if yes, how long)?
6. Have there been any changes with the school board?
7. Is the school system associated with a single or multiple municipalities?
8. What is your perspective on impact fees? Explain.
9. Do you feel the impact fees are sufficient for the school system to accommodate growth?
10. How much growth has occurred over the past ten years, and how has the district accommodated the growth?
 - a. Were there additions or changes to existing schools?
 - b. Were new schools constructed?
 - c. Has additional staff been added?
 - i. How many additional teaching positions?
 - ii. Has the district administration increased?
 - iii. Has maintenance staff increased?
 - d. Did the district utilize any referenda?
 - i. How many referenda?

- ii. What funds were the referenda intended for?

- iii. What outcomes did the referenda produce?

11. What happened regarding the instructional setting and student services?

- a. What happened regarding class sizes?

- i. Prior to growth what were the class sizes?

- ii. During what were the class sizes?

- iii. What are current class sizes?

- b. Have additional courses been added?

- i. What programs are available for accelerated students?

- ii. What is available for learners that struggle?

- c. Has scheduling changed?

- d. What type of sports, activities, and clubs are offered?

12. Did teacher mobility remain the same, decline, or increase?

- a. How many years of experience do the teachers have?

- b. Has this changed as a result of growth?

- c. What is the average highest degree held by teaching staff?

13. How has financing been affected as a result of growth?

- a. What has happened to the district budget over the past ten years?

- b. How much money does the district have in reserves?

- c. Has there been a change in ordering supplies and materials?

14. Does the structure of the impact fee match the incidence of students as a result from development?

APPENDIX E

PROTOCOL FOR MUNICIPAL OFFICIALS

Protocol for municipal officials:

1. How long have you held office/position in this community?
2. What is your background regarding your positions?
3. What was the community population prior to growth?
4. What is the current population?
5. How much additional business was created in the community?
6. What changes have occurred with the municipal budget?
7. What happened regarding the equalized assessed value (EAV) of the community?
 - a. What was the EAV prior to growth?
 - b. What is the current EAV?
8. What were impact fees prior to growth?
9. Have impact fees changed during growth?
10. Were impact fees collaboratively planned with the school system?
 - a. If so, to what degree?
 - b. If not, why?
11. Would you recommend any changes for impact fees?