National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

Proposition 13 and Its Offspring: For Good or for Evil?

Abstract - *The answer to the question posed in the title depends on which model of local government behavior is operative. If it is the median-voter/benevolent-dictator model, then property tax limits can only be for evil. If it is the Leviathan/budget-maximizing-bureaucratic model, then property tax limits have the potential to improve the welfare of local resident voters. From this perspective, I reassess the empirical literature on state-imposed limits on local property taxes and conclude that the evidence can be interpreted as supportive of the notion that the Leviathan model may be operative and thus that property tax limits have the potential to improve welfare.*

The legacy of Proposition 13 certainly includes harmful effects in California as documented in this Forum by Downes and Figlio (1999) with regard to school districts and by, Sexton, Sheffrin, and O'Sullivan (1999) with respect to horizontal inequities in tax burdens. Proposition 13's legacy goes beyond California to the many states that in subsequent years were purportedly inspired by California's example to adopt their own property tax limitation measures. My goal is to ask whether Proposition 13 spawned any beneficial effects. I focus on states other than California, but not exclusively. Part of my strategy is to examine some of the same evidence as Downes and Figlio but through a different lens, perhaps. Another part of my strategy is to reassess familiar evidence and studies that I and others have used in the past to buttress critical assessments of limits.

From a revealed-preference perspective, we have evidence that Proposition 13 and its imitators yielded beneficial consequences. After all, Proposition 13 has not been repealed in California. Furthermore, states across the country have mimicked California by passing similar (although not identical) measures limiting local property taxes and few of these have been repealed. For example, it took just two years for the winds to blow across the border to Arizona where limits on the growth rate of local governments' property taxes were adopted through constitutional amendment. The measure in Arizona is less stringent than Proposition 13, in particular, annual growth in assessments is restricted to ten percent compared to two percent in California, but the intent of the legis-

Therese J. McGuire
Institute of Government and Public Affairs and College of Urban Planning and Public Affairs, University of Illinois at Chicago, Chicago, IL 60607

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

lation was to rein in property taxes.[1] Massachusetts' Proposition 2½ also was passed in 1980 and limited both the tax rate level and the rate of growth of property tax revenues. Again,the measure is less extreme than Proposition 13 (the maximum allowable tax rate is much higher in Massachusetts at 2.5 percent compared to one percent in California, and assessments in Massachusetts are not limited), but judging by the academic and media attention it has received, Proposition 2½'s effect on the "psyche" of public finances in Massachusetts was as important as Proposition 13's in California.

Many of the limitation measures that passed in the aftermath of Proposition 13 were placed on state government revenues or expenditures (Rueben, 1997). I focus here on statewide limits on local property taxes or if not statewide then limits imposed by state policymakers on local governments' use of the property tax. Most of these limits are described in detail in Preston and Ichniowski (1991).

WHY LIMIT LOCAL PROPERTY TAXES?

Among many public finance economists, it is almost dogma that local governments and their reliance on the local property tax are a good thing. In large part, this stems from the Tiebout/Hamilton view of local public finance in which competing local governments with the power to zone convert the local property tax into an efficient benefit tax (Tiebout, 1956; Hamilton, 1975). In addition, I and others have argued that local governments need to be fiscally empowered in order to be held accountable by the voters (Giertz and McGuire, 1991; McGuire, 1995), and Oates (1991) has argued that, in comparison with other potential taxes at the local level, the local property tax has much to recommend it. The idea of elected officials making decisions in line with the preferences of the median voter (or some subset of resident voters) seems more plausible at the local level than at the state or federal level because of the greater ease in monitoring local officials' actions and in identifying the benefits to resident voters resulting from actions taken by local officials. Thus, the idea of local governments made fiscally responsible and accountable by their reliance on own-source property taxes finds strong support among many public finance economists.

Each of these arguments in favor of local property taxes can be challenged. Local elected officials may be no more immune than state and federal officials to the temptations of using the public purse for personal gain. To put it differently, in what is dogma to many other public finance economists, the Leviathan model of local government may be operative, thus justifying limitations on the level and growth rate of the property tax (Brennan and Buchanan, 1979). Many have argued that it is not appropriate to view the local property tax as a benefit tax, and thus the efficient outcome of Tiebout competition cannot be assured.[2] The local property tax can be challenged on equity grounds as the tax base is distributed inequitably across local jurisdictions in many regions, thus arguing for a leveling up through state grants-in-aid or leveling down through state-imposed limits on the local property tax. Finally, a political argument that might explain, if not justify, property tax limits is that state officials who enact the limits garner the political benefits without having to bear the costs imposed on local governments.

Essentially, the argument over property tax limits reduces to which of two competing models of local government behavior seems to be more compelling and have greater empirical support. If the median-

[1] Fisher and Gade (1991) provides a description and assessment of the effectiveness of the Arizona measure.
[2] See Mieszkowski and Zodrow (1989) for a survey.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

voter/benevolent-dictator model is operative, then property tax limits have little economic justification. If the budget-maximizing/Leviathan model of local government behavior is operative, then property tax limits may be justified as a means to constrain inefficient, wasteful spending on the part of elected officials and bureaucrats. Which theoretical model more closely approximates reality? I argue that evidence of an effect of limits on revenues or expenditures is *prima facie* evidence that the Leviathan model may be operational. My reasoning is as follows: if the median-voter model is operative, then limits will have no effect because local voters will override binding limits when they result in undesirable changes in revenues and expenditures. Essentially, under the median-voter model, outcomes do not change when limits are imposed because the voters will override undesirable restrictions. Effective limits—changes in revenues and expenditures attributable to the imposition of limits—are consistent with the existence of undesirable outcomes that can result under the Leviathan model.[3]

In the past, I have argued that, on balance, state-imposed limits on the use of property taxes by local governments do not make economic sense (McGuire, 1991). But clearly, there are strong arguments on either side. In the end, it does not really matter whether limits make sense; they exist regardless of whether they are for good reason. The question here is: Has anything beneficial resulted from property tax limits? I propose a fresh look at the available evidence to see whether a reinterpretation can cause a change of mind.

OLD EVIDENCE THROUGH A NEW LENS

In a 1991 article in this journal, Preston and Ichniowski undertook an exhaustive study of state limitations on municipal government property taxation and spending across the 50 states over the decade 1976–86. Their findings indicate that, when various types of statewide limits on the revenues or expenditures of municipal governments were implemented, municipal property taxes and total revenues grew at slower rates. The most effective limits appeared to be property tax rate limits coupled with limits on the growth rate of assessments (as in California under Proposition 13) and stringent limits on the growth rate of property tax levies. Preston and Ichniowski's results indicate that local property tax limits appear to be particularly effective at constraining property taxes relative to total own-source revenues. If reducing reliance on the local property tax is desirable, these findings indicate that property tax limits are effective at achieving this goal.

Poterba and Rueben (1995) use a pooled data set covering the 50 states with observations before and after the passage of limits to estimate the effect of property tax limits on the wages and employment levels of workers in the local public sector. The authors designate a state as having an "effective property tax limit" if the limit applies to property tax revenues, property tax rates, or general revenues or expenditures. Using individual-level data on workers in the local public and private sectors, they find evidence of a public-sector wage premium that is mitigated by the presence of an effective property tax limit in the state. For example, the estimates for men indicate that the public-sector wage premium increased 13.8 percent between 1979–80 and 1990–1, but for men working in states with effective property tax limits, the local public-sector wage premium increase was only 7.2 percent.

Their results for employment levels are weaker. In a cross-sectional regression

[3] Effective limits can also be consistent with the median-voter model when there is heterogeneity among resident voters. I thank John Yinger for this point.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

with observations on each state's growth rate of employment in the local public sector between 1980 and 1991, the authors find no evidence of a difference in growth rates between states with and without effective property tax limits. However, once they interact the limit variable with a variable characterizing the stringency of the collective-bargaining environment at the local government level they find evidence that, among states with labor environments favoring local public-sector unions, employment growth is slower in states with effective property tax limits.

Because employee compensation represents the lion's share of the cost of local government, this evidence that property tax limits slow the growth of wages and employment in the local public sector supports the notion that limits can have an effect on the size of government. If the goal of property tax limits is to reign in unresponsive government and bring the size of local government more in line with voters' preferences, which presumably are for lower levels of spending than the levels chosen by elected officials, then one interpretation of the findings in Poterba and Rueben (1995) is that this goal is being met with some success.

We turn next to studies of property tax limits in individual states. Fisher and Gade (1991) examine the property tax limit imposed on local governments in Arizona by constitutional amendments in 1980. The limits in Arizona apply to the growth rates of primary property tax levies and expenditures. Secondary property taxes, which are dedicated to debt service, are not subject to the limit. Primary property taxes are limited to growth of two percent per year over the base year of 1980 with new construction outside of the limit. Fisher and Gade assess the effectiveness of the Arizona property tax limit by examining the growth rate of property taxes for both cities and counties during the first ten years under the limit and by estimating a model of local government decision making for counties for two five-year periods, one period covering years before the limit was adopted and during the early transition years of the limit and the other period covering years well after the adoption of the limit. They find that the level and reliance on property taxes in the 1980s do not appear to have been reduced by the limit.[4] They speculate that this lack of effectiveness may be attributable in part to the specific design of the Arizona limit, which exempts property taxes dedicated to capital expenditures (known as secondary taxes) and allows for voter overrides, and in part to the robust economy of Arizona during this period, which fueled rapid development and new construction of property, also exempt from the limit. The property tax limit appeared to increase the reliance on secondary property taxes, which, because they require voter approval, increased voter involvement in the setting of local revenues, and on borrowing to finance capital expenditures. The authors conclude that the limits on local taxes and expenditures adopted in Arizona in 1980 "seem to have achieved accountability but not reductions in taxes and spending" (p. 463).

If a goal of property tax limits is to give voters greater opportunity to monitor and adjust the revenues and expenditures set by local, elected officials, Fisher and Gade's (1991) results seem to indicate that the Arizona limit has been successful. And, at least during the 1980s, local governments appeared to be able to raise sufficient revenues as evidenced by the fact that many counties and cities levied below the allowed limit. It would be interesting to reexamine the Arizona case during a period of economic and fiscal stress such as the early 1990s to ascertain

[4] In his examination of municipalities in New Jersey, Merriman (1987) finds a similar lack of impact of a 1976 cap on the growth rate of expenditures.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

whether the "escape valves" put in place with the 1980 limit are sufficient.[5]

Temple (1996) examines restrictions on local government property taxes from a slightly different angle. In Illinois, local governments with home-rule status are not subject to statewide restrictions on property taxes and borrowing. Most local governments in Illinois do not have home-rule status, but since 1970, municipalities have been able to obtain home-rule status, and thus free themselves from state-imposed property tax limits, by a vote of local residents. Using a sample of 287 municipalities over the period 1970–90, Temple estimates the conditional probability that voters will retain state controls on local fiscal authority by choosing not to adopt home-rule status. As explanatory variables, she employs income and age dispersion variables, median household income, population, the property tax level and growth rate, and variables characterizing the type of municipal government. Consistent with the hypothesis developed by Buchanan and Tullock (1962) that heterogeneous communities are more likely than homogeneous communities to accept restrictions on the decisions of elected officials, Temple finds that municipalities with greater dispersion in age are more likely not to vote for home-rule status and thus to accept state-imposed restrictions on the local property tax. Temple's evidence indicates that limitations "are sought by voters who view fiscal constraints as a device to protect themselves against the possibility of incurring large welfare costs due to the enactment of local fiscal policies that are preferred by other residents but are not preferred by them" (p. 1015).

Temple (1996) thus provides a rationale for why resident voters might prefer state-imposed limits on local authority to raise revenues. Her study also indirectly provides evidence of the popularity among local resident voters of state-imposed limits. Of the 287 municipalities in her sample, only 23 chose to adopt home-rule status during the 20-year period examined. Of the over 1,000 municipalities in Illinois eligible to undertake a vote on home-rule status, only around 50 have chosen to adopt home-rule status. In this unique setting in which local residents can reveal their preferences for state-imposed limits on the local property tax, the vast majority of voters have indicated a desire to maintain state restrictions on the access of local, elected officials to the property tax.

Downes (1996) examines the production function of local school districts in California before and after the passage of Proposition 13 to test whether the property tax limit has had an effect on the behavior of school officials. By examining the rate at which school officials are willing to trade off increases in administrative staff, something that increases the official's utility, with improvements in test scores or dropout rates, outcomes that their constituents care about, Downes tests whether school officials are operating on behalf of the decisive voter (according to the median-voter/benevolent-dictator model) or on behalf of their own self- interests (the rent-seeking monopoly or self-aggrandizing bureaucratic model). The test involves an estimate of the marginal rate of substitution between staff and test scores. The median-voter model implies that increases in staff would have no effect on the marginal utility of the school official, whereas the bureaucratic model implies that increases in staff (or test scores) would contribute positively to utility. Downes finds evidence that the latter mode of behavior was operational both before (in 1976–7) and after (in 1985–6) the implementation of Proposition 13. These results may explain in part why voters supported Proposition 13 in the first place.

[5] Cutler, Elmendorf and Zeckhauser (1997) find that Proposition 2½ in Massachusetts appeared to have more bite during economic downturns.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

Downes (1996) further investigates the effect of Proposition 13 on the ability of school officials to act on their preferences rather than the preferences of their constituents. He finds that the extent of inefficiency (the amount of resources devoted to excessive staff) changed little between 1976–7 and 1985–6. On the other hand, test scores were valued more highly by school administrators in 1985–6 than they were before the passage of Proposition 13. Thus, he finds mixed evidence that the property tax limit reduced the amount of discretion and wasteful expenditures enjoyed by school officials.

Another study that seeks to assess whether wasteful expenditures by local governments lead to and are affected by property tax limits is Cutler, Elmendorf, and Zeckhauser (1997). The authors examine the effects of Massachusetts's Proposition 2½ on the finances of municipal governments and assess various explanations for voter support of the proposition, which was passed in a statewide referendum in 1980 with 59 percent of the voters in favor. Proposition 2½ limited property taxes in a community to 2.5 percent of total property values and limited the annual growth rate of property taxes to 2.5 percent. State lawmakers amended the legislation to allow property taxes for new construction to accrue outside the limit and to allow voters to increase property taxes above the constrained amount through simple majority vote for overrides and exclusions.

Cutler, Elmendorf, and Zeckhauser (1997) found that the limit had a significant, negative effect on the level of property taxes. By the 1990s, for each one dollar reduction in property taxes attributable to the initial impact of Proposition 2½, property taxes remained about $1.30 lower than they would have been in the absence of the limit. The effect of the limit on total local revenues was negligible, largely because state aid compensated for much of the property tax loss. Not surprisingly, because of the allowance for new construction, the limit appeared to bind more tightly during economic downturns.

To assess voter attitudes toward Proposition 2½, Cutler, Elmendorf, and Zeckhauser (1997) examine the determinants of the cumulative dollar value of overrides and exclusions passed between 1990 and 1995 as a share of the 1995 levy limit. They estimate an equation using observations on 316 communities and include economic, demographic, fiscal, and political measures as independent variables. They find that the share of voters in a community who approved Proposition 2½ in 1980 is significantly, negatively related to the value of successful overrides and exclusions in the 1990s. This result supports the notion that voters viewed Proposition 2½ as a means of reining in wasteful government spending.[6]

Dye and McGuire (1997) examine a relatively recent limit placed on the growth rate of local property taxes on a subset of jurisdictions in Illinois. In July 1991, Illinois lawmakers imposed a cap on the growth rate of property taxes of school districts, special districts, and certain municipalities (all non-home-rule jurisdictions) in the five metropolitan counties surrounding Cook County, the county containing the city of Chicago. The imposition of the limit on only a subset of local jurisdictions in the metropolitan area provided the authors with a "natural experiment," thus rendering the determination of what would have happened to local revenues in the absence of the limit relatively easy because, otherwise, similar jurisdictions were differentially treated under the limit. Their results indicate that the

[6] In contrast, in a study of the effect of Proposition 2½ on property values, Bradbury, Mayer, and Case (1997) find evidence consistent with the median-voter model. They find that, in communities constrained by Proposition 2½, property values increased when voters approved overrides that increased spending. This evidence indicates that Proposition 2½ resulted in undesirably low levels of spending in some communities.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

growth rates of school, municipal, and special-district property taxes were diminished by the property tax limit.

In an attempt to understand more fully the implications of an effective property tax limit on the public finances of local governments, Dye and McGuire (1997) examined the effect of the limit on different categories of spending for the school districts in their sample. They found that the growth rate of operating expenditures was significantly lower for school districts subject to the limit relative to school districts not subject to the limit, thus indicating that the property tax limit was effective at constraining spending. However, when they examined instructional expenditures, defined as operating expenditures minus spending on administration and support staff, the limit had no effect; the growth rate of instructional spending was no different for the two sets of school districts. One interpretation of this finding is that, at least in the short run, school districts responded to the bite of the tax limit by substituting away from potentially less essential or productive expenditures toward spending on instruction. Dye and McGuire's findings that the property tax limit was effective at restraining property taxes of local governments and the noninstructional components of operating expenditures of school districts are consistent with the Leviathan model of local government, under which the preferences of local resident voters are not perfectly reflected in the unconstrained decisions of elected officials.

WHAT ABOUT THE DETRIMENTAL EFFECTS OF PROPOSITION 13 AND ITS OFFSPRING ON PUBLIC EDUCATION?

There is virtually no debate that the average quality of and average per pupil spending on public education in California have fallen dramatically since the late 1970s. The doubt I want to raise is whether the culprit is Proposition 13 or the Serrano decisions. Fischel in this journal in 1989 argued persuasively that voter support of Proposition 13 was a rational response to the likelihood that spending per pupil would be virtually equalized under state policies passed in the wake of *Serrano II*. Legislation was passed in 1977 that would have severely restricted the ability of wealthy districts to rely on the local property tax to spend more than the average district. Fischel argued that, by severing the link between the local property tax and school expenditures, the Serrano-inspired legislation greatly undermined support for the property tax. In June 1978, before the 1977 law could take effect, the voters overwhelmingly passed Proposition 13. According to Fischel's interpretation, if their own property taxes were no longer going to be available to improve their own schools, voters decided that the tax should be reduced and public officials' access to the tax should be constrained. Public education in California became a state-financed system, and support, both financial and political, has been on the decline ever since.

The contention that Serrano is to blame for the demise of public education in California is supported by an interpretation of the results in Downes (1992). Downes finds that the combined effect of *Serrano II* and Proposition 13 was to reduce substantially the dispersion of per pupil expenditures and to weaken the correlation between various measures of wealth and spending. He examines two measures of spending; total expenditures per pupil and expenditures subject to the revenue limits resulting from the legislature's response to *Serrano I*. This second measure of expenditures was a primary focus of state policymakers, and the reduction in dispersion and correlation with wealth measures was stronger for this measure. The Serrano-inspired state-aid policy was, arguably, more important than Proposition 13 in bringing about the changes

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

in the distribution of revenue-limited expenditures, because the Proposition 13 limits on property taxes were applied across the board, while increased state aid was directed at low-wealth districts. If, as Fischel (1989) argues, equalization of spending undermines support for public education in high-wealth districts, the other side of the coin of success in achieving the goals of *Serrano II* may have been the demise of public education in California.[7]

Studies of the effect of property tax limits on school performance in other states are not numerous. In one such study, Downes, Dye, and McGuire (1998) examine the effect of the Illinois property tax limit on reading and mathematics test scores of third graders. Because the limit in Illinois applied only to a subset of school districts, the authors were able to overcome econometric problems that had plagued many previous studies of the effect of spending and of limits on educational outcomes. In contrast to Figlio (1997), whose study of the effect of limits on student outcomes is vulnerable to the criticism that the estimates may be biased by policy endogeneity, Downes, Dye, and McGuire find little evidence that limits had a negative impact on student performance.

ON BALANCE FOR GOOD OR FOR EVIL?

I hope the authors (including my coauthors) do not object too strenuously to the interpretations I have given their studies of property tax limits. Whether one agrees with my conclusions, this body of literature is very convincing on the basic premise that fiscal institutions matter and that Proposition 13 and the tax limits that followed in its wake have become an important part of the state and local fiscal landscape in this country. There is also no denying the popularity of property tax limits with the resident voters who have the greatest potential to be affected by them.[8]

One way to assess whether property tax limits have had any beneficial effects is to uncover what the limits set out to accomplish and then to ask two related questions: Were the goals laudable, and were they achieved? A literal interpretation of the goal of property tax limits is that their purpose is to reduce the level or growth rate of property taxes. Whether this is a laudable goal (defined as improving efficiency or social welfare) depends crucially on the model of local government behavior that appears to be operating. If the median-voter/benevolent-dictator model of local government behavior is operational, then state-imposed limits on local government fiscal behavior are likely to be not only ineffective, as local voters override undesirable constraints, but to cause inefficiencies, as communities use otherwise productive resources in efforts to circumvent the limits. On the other hand, if the Leviathan/budget-maximizing-bureaucratic model of local government behavior is in effect, then state-imposed limits on local government fiscal behavior are likely to improve efficiency, by eliminating wasteful expenditures, and to improve social welfare, by bringing the level of taxes and expenditures more in line with voters' preferences.

Several studies cited herein either directly or indirectly provide a test of these two competing models of local government behavior. The evidence presented in Downes (1996), Dye and McGuire (1997), and Cutler, Elmendorf, and Zeckhauser (1997) arguably points to the Leviathan model of local government. These studies

[7] Silva and Sonstelie (1995) attribute about half of the decline in spending per pupil in California between 1970 and 1990 to the effects of the Serrano-induced increase in equalization.

[8] The vote for Proposition 13 in California was two to one in favor and for Proposition 2½ in Massachusetts nearly three to two in favor.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

can be interpreted as providing support for an affirmative answer to the first question: Were the goals of tax limits laudable?

On the second question—were the goals achieved?—the vast majority of the evidence, especially the more recent evidence, also supports an affirmative answer. Preston and Ichniowski (1991), Poterba and Rueben (1995), Dye and McGuire (1997), and Cutler, Elmendorf, and Zeckhauser (1997) all find evidence that property tax limits restrain local taxes or expenditures. This evidence of an effect of property tax limits can be interpreted as evidence in support of the Leviathan model of local government behavior, because under the median-voter model, no change in revenues and expenditures would be observed as the voters would simply override any undesirable changes wrought by the limits. The literature, especially Fisher and Gade (1991) and Cutler, Elmendorf, and Zeckhauser, also indicates that, if the limit is accompanied by a well-functioning system that allows local voters to override the constraint, the potential for undesirable results appears to be small.

Clearly, property tax limits can be (and have been) accompanied by harmful effects. Based on a fresh examination of the existing literature, I have attempted to argue that there may be desirable consequences associated with state-imposed limits on local property taxes. On balance, as long as an escape valve is in place for local voters to override the limit, I have convinced myself, anyway, that there is the potential for property tax limits to improve the welfare of local resident voters.

Acknowledgments

I thank Richard Dye for comments on an earlier draft and enlightening conversations about property tax limits over the years; John Yinger for providing me with the opportunity to examine property tax limits from a new perspective and for extensive comments on the theme and tenor of the paper; and Douglas Holtz-Eakin for comments on an earlier draft. All errors of interpretation and flights of fancy are mine.

REFERENCES

Bradbury, Katherine L., Christopher J. Mayer, and Karl E. Case.
"Property Tax Limits and Local Fiscal Behavior: Did Massachusetts' Cities and Towns Spend Too Little on Town Services under Proposition $2^1/_2$?" Federal Reserve Bank of Boston Working Paper. Boston: Federal Reserve Bank of Boston, July, 1998.

Brennan, Geoffrey, and James Buchanan.
"The Logic of Tax Limits: Alternative Constitutional Constraints on the Power to Tax." *National Tax Journal Supplement* 32 No. 2 (June, 1979): 11–22.

Buchanan, James, and Gordon Tullock.
The Calculus of Consent: Logical Foundations of Constitutional Democracy. Ann Arbor: University of Michigan Press, 1962.

Cutler, David M., Douglas W. Elmendorf, and Richard J. Zeckhauser.
"Restraining the Leviathan: Property Tax Limitation in Massachusetts." NBER Working Paper No. 6196. Cambridge, MA: National Bureau of Economic Research, September, 1997.

Downes, Thomas A.
"Evaluating the Impact of School Finance Reform on the Provision of Public Education: The California Case." *National Tax Journal* 45 No. 4 (December, 1992): 405–19.

Downes, Thomas A.
"An Examination of the Structure of Governance in California School Districts Before and After Proposition 13." *Public Choice* 86 Nos. 3–4 (March, 1996): 279–307.

Downes, Thomas A., Richard F. Dye, and Therese J. McGuire.
"Do Limits Matter? Evidence on the Effects of Tax Limitations on Student Performance." *Journal of Urban Economics* 43 No. 3 (May, 1998): 401–17.

Downes, Thomas A., and David N. Figlio.

National Tax Journal
Vol 52 no. 1 (March 1999) pp. 129-38

"Do Tax and Expenditure Limits Provide a Free Lunch? Evidence on the Link Between Limits and Public Sector Service Quality." *National Tax Journal* 52 No. 1 (March, 1999): 113–28.

Dye, Richard F., and Therese J. McGuire.
"The Effect of Property Tax Limitation Measures on Local Government Fiscal Behavior." *Journal of Public Economics* 66 No. 3 (December, 1997): 469–87.

Figlio, David N.
"Did the 'Tax Revolt' Reduce School Performance?" *Journal of Public Economics* 65 No. 3 (September, 1997): 245–69.

Fischel, William A.
"Did *Serrano* Cause Proposition 13?" *National Tax Journal* 42 No. 4 (December, 1989): 465–73.

Fisher, Ronald C., and Mary N. Gade.
"Local Property Tax and Expenditure Limits." In *State and Local Finance for the 1990s: A Case Study of Arizona*, edited by Therese J. McGuire and Dana Wolfe Naimark. Tempe: Arizona State University, 1991.

Giertz, J. Fred, and Therese J. McGuire.
"State Aid and State-Imposed Controls and Local Fiscal Outcomes." In *1990 Proceedings of the Eighty-Third Annual Conference*. Columbus: National Tax Association-Tax Institute of America, 1991.

Hamilton, Bruce.
"Zoning and Property Taxation in a System of Local Governments." *Urban Studies* 12 No. 2 (June, 1975): 205–11.

McGuire, Therese J.
"Property Tax Relief Mechanisms: Should States Get Out of the Business?" In *Illinois Issues*. Springfield: University of Illinois at Springfield, November, 1991.

McGuire, Therese J.
Issues and Challenges in State and Local Finances. Washington, D.C.: The Finance Project, November, 1995.

Merriman, David.
The Control of Municipal Budgets. Westport: Greenwood Press, Inc., 1987.

Mieszkowski, Peter, and George R. Zodrow.
"Taxation and the Tiebout Model: The Differential Effects of Head Taxes, Taxes on Land Rents, and Property Taxes." *Journal of Economic Literature* 27 No. 3 (September, 1989): 1098–1146.

O'Sullivan, Arthur, Steven M. Sheffrin, and Terri A. Sexton.
"Proposition 13: Unintended Effects and Feasible Reforms." *National Tax Journal* 52 No. 1 (March, 1999): 99–112 .

Oates, Wallace E.
"The Theory and Rationale of Local Property Taxation." In *State and Local Finance for the 1990s: A Case Study of Arizona*, edited by Therese J. McGuire and Dana Wolfe Naimark. Tempe: Arizona State University, 1991.

Poterba, James M., and Kim S. Rueben.
"The Effect of Property-Tax Limits on Wages and Employment in the Local Public Sector." *American Economic Review* 85 No. 2 (May, 1995): 384–9.

Preston, Anne E., and Casey Ichniowski.
"A National Perspective on the Nature and Effects of the Local Property Tax Revolt, 1976–1986." *National Tax Journal* 44 No. 2 (June, 1991): 123–45.

Rueben, Kim S.
"Tax Limitations and Government Growth: The Effect of State Tax and Expenditure Limits on State and Local Government." Public Policy Institute of California Working Paper. San Francisco: Public Policy Institute of California, February, 1997.

Silva, Fabio, and Jon Sonstelie.
"Did *Serrano* Cause a Decline in School Spending?" *National Tax Journal* 48 No. 2 (June, 1995): 199–215.

Temple, Judy A.
"Community Composition and Voter Support for Tax Limitations: Evidence from Home-Rule Elections." *Southern Economic Journal* 62 No. 4 (April, 1996): 1002–16.

Tiebout, Charles.
"A Pure Theory of Local Public Expenditures." *Journal of Political Economy* 64 No. 1 (October, 1956): 416–24.