THREE PROJECTS ON TAXES, REVENUE, AND BUDGETS

PAPER 1:
The Future of the Property Tax: Institutional Factors which Shape its Acceptability, Yield and Burden Distribution

PAPER 2:
The Role of Local Revenue and Expenditure Limitations in Shaping the Composition of Debt and Its Implications for Efficiency, and Intergenerational and Intergovernmental Equity in Local Public Finance

PAPER 3:
Population Sorting, Economic Segregation and Growing Fiscal and Budgetary Disparities in U.S. Communities

Paper 1: This study seeks to first update the findings of Mullins and Mikesell (2009) in an effort to better understand the lag properties of subnational tax bases with particular scrutiny placed upon property tax dynamics. Specifically, we assess the relative performance of tax bases, both vertically (local vs. state jurisdictions) and horizontally (across tax instruments). The paper then seeks to extend the analysis by focusing on varying revenue performance to better understand the capacity of subnational jurisdictions to mitigate both national and state-specific downturns. Using Census data and the American Community Survey, we estimate the impact of the recession induced volatility as a function of property tax significance. We also consider the differential burdens across communities and populations within communities to assess factors that appear to promote greater property tax reliance. Most interesting are the affects of institutional factors, such as home stead exemptions, classification, circuit-breakers, differential assessment methods, age related exemptions and truth in taxation provisions on property tax reliance. It is found that factors that impair the property tax in an ideal tax sense are often associated with greater acceptability and more consistent reliance on the tax; this is particularly so for those provisions that favor longer term residents. Distortion introduced into the tax may have given it extended life as significant local revenue source, while at the same time impairing the efficiency (and equity) of the instrument.

Paper 2: The proposed paper is the first study to examine whether the enactment of TELs have changed the composition of debt in local governments. Particularly, we are interested in whether governments constrained by binding TELs have experienced increases in their ratio of debt to general revenue for financing government services and whether there has been a shift toward non-guaranteed debt. Further, and most interestingly, we assess the degree to which asymmetry exist in the reliance on debt across different forms of local governments (school districts, municipalities and special districts) and how relative fiscal capacity differences across communities affect debt usage. We test both the affects across types of governments and those related to the individual characteristics of governments and populations to assess the level of local autonomy restriction imposed and the implications for local choice and the satisfaction of population demands. The paper uses panel data on all units of government in 787 metropolitan counties in the United States from 1972 through 2009, which draws on observations from eight successive censuses and multiple annual surveys of government. The resulting dataset includes over 260,000 observations of counties, cities, towns, school districts, and special districts in the 48 contiguous states. Controlling for a number of demographic, economic, social, and structural characteristics, we
estimate the differential effect of binding TELs on debt composition with an OLS estimator with state and year fixed effects.

Paper 3: This paper uses Census of Population and Housing Data, the American Community Survey and the Government Finance Series to identify the factors that lead to increased disparity and economic sorting as well as those that provide a revenue net to communities with the most limited resource capacities. It concludes that economic sorting is becoming more pronounced and that such sorting artificially and geographically constrains the resource pool available for addressing public policy needs across all communities. It finds that some states have adapted to this increasing resource segregation by augmenting revenue availability and constraining local autonomy over revenue sources, such as the property tax. It also finds that intergovernmental finance systems were severely taxed by the recession and that continuing adjustments are needed to allow horizontal smoothing (and counter serious erosion) of capacity.