



PUBLIC FINANCE JOURNAL

# Get to Know the Public Finance Journal

BY KYLE WEDBERG

In each issue, *GFR* will provide a summary of an article appearing in GFOA's *Public Finance Journal*. This month, we're talking about "Adoption of Property Tax Expenditure and Limitations by U.S. States: A Multiple Events History Analysis," by John W. Decker. It appears in the first issue of *Public Finance Journal*.

*Public Finance Journal* is a biannual journal publishing peer-reviewed research that examines and analyzes contemporary issues in budgeting and finance and explores the applicability of solution sets. The journal serves as a forum for discussion on significant issues related to the advancement of our scientific understanding.

## AUTHOR'S ABSTRACT

Property tax expenditure and limitations (TEs) are key tools used by U.S. states to control local government spending and taxing authority. This paper employs a multiple events history analysis to understand the factors influencing the adoption of county-level property tax TEs by state governments. The findings show that external factors such as policy learning, competition, imitation, and coercion play crucial roles in this process. Notably, the study reveals that higher out-migration rates and the presence of voter-based ballot initiatives significantly increase the likelihood of TEL adoption. Additionally, the spread of TEs is influenced more by national trends rather than neighboring state actions, highlighting the saliency of these policies. These findings shed light on the dynamics of policy diffusion and provide insights into the interplay between state-level decisions and local government financial autonomy. The study's implications extend beyond public finance, offering a nuanced understanding of policy adoption and diffusion in federal systems.

## GFOA'S INPUT

The author selects tax expenditure limitations, or TEs, as their subject matter for the article and provides analysis for the factors that may or may not make the adoption of TEs by states more likely. The study notes that 37 states already employ some version of TEs.

The policy implications for local governments and governmental entities are real, the implementation of a TEL can impact the ability of all levels and forms of government to garner revenues in the future that mirror the growth of revenues experienced in

the past. This fact alone can have real implications for existing fiscal realities and future projections such as bonds and financial projections that were conceived without TEs. A TEL will also change future long-term financial plans, operating revenues, bonding capacity, and reserves for local governments.

Decker's analysis utilizes an innovation and diffusion framework to look at factors of policy learning and income; competition and out migration; imitation and adoption by adaptation (the more states that adopt TEs, the more likely other states will also adopt a TEL); and coercion through ballot initiatives.

The results are interesting. Coercion, or other states passing TEs, is one of the most important factors in the likelihood of more states following with TEs of their own. Other potential factors were: states with higher income were less likely to pass TEs; states with higher out migration were more likely to pass them (potentially because of the increased economic pressures on the smaller population); existence on the ballot increased the likelihood of being passed; and increases in density and younger populations correlated with being less likely to adopt TEs (in theory, TEs were implemented to protect those on fixed income, which would be older populations).

The article's conclusions highlight that all governments should have a heightened awareness of the TEL conversations at the state level. Because a state is more likely to adopt TEs if another state does, there is a likelihood that more local governments will see new or modified TEs in the future as more states adopt and modify TEs. ■

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