

**ARGUMENTS  
AGAINST THE PASSAGE OF THE PALESKY  
PROPERTY TAX CAP IN MAINE**

**Prepared by  
Jim Damicis and A. Mavourneen Thompson**

**Of**



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## **I. Introduction**

In November 2004, Maine voters will decide whether to adopt the “Palesky Property Tax Cap”. If passed this referendum would cap the amount of property taxes that could be raised by Maine communities at one percent of property valuation.<sup>1</sup> The Palesky proposal is modeled after Proposition 13 which was a property tax cap passed by California voters in 1978.

This report provides an overview of the issues surrounding the proposed property tax cap and presents arguments against its passage. The overview is based on a review of the existing literature on tax limitations. While there are tax caps that have been passed and that exist in other states, including Massachusetts’s Proposition 2 ½, California’s cap is most like the one proposed in Maine. Therefore, much of the information reviewed and used in this overview is based on the California Proposition 13 experience.

The arguments against passage of the Palesky Tax Cap are presented within five issue areas which include:

- Business and Economic Development
- Governance and Local Control
- Services Facilities and Infrastructure
- Tax Relief, Tax Shifts, and Unintended Consequences
- Specific Experiences Regarding California’s Proposition 13

This report was prepared for Citizens to Reduce Local Property Taxes Statewide by A. Mavourneen Thompson and Jim Damicis of PolicyOne Research, Inc. The information and opinions contained in the report are based on a review of existing literature by PolicyOne Research Inc., and do not necessarily reflect the views and opinions of Citizens To Reduce Local Property Taxes Statewide. For questions or further information contact:

Jim Damicis or A. Mavourneen Thompson  
PolicyOne Research, Inc.  
19 Commercial Street  
Portland, Maine, 04101  
[www.policyoneresearch.com](http://www.policyoneresearch.com).

## **II. Summary**

A review of the literature on the impacts of tax caps and surrounding issues overwhelmingly reveals that Maine citizens, communities, and businesses would suffer significant negative impacts from passage of the Palesky Tax Cap proposal.

Major findings from the research indicate that a tax cap of the magnitude proposed by Palesky would:

- Directly and negatively impact businesses by eliminating public services that businesses rely on for their operations. Most notably, businesses would suffer from a loss of infrastructure improvements and maintenance, public safety services, transportation services, and education quality;
- Erode economic development efforts, statewide, that attract and grow businesses;
- Eliminate local citizen decision-making over community taxing, spending, and services decisions;
- Shift responsibility to state government, which will both lead to greater control by state officials over local decisions and reduce accountability;
- Hold local decision-making hostage to a relatively small minority by giving veto power to a minority of voters;
- Result in a reduction of state services on top of the reduction in local services due to an erosion of the revenue base of both state and local governments;
- Result in a proliferation of fees and charges for services and development impact fees; and
- Raise state and local borrowing costs, thus increasing the cost of investing in Maine's future through voter approved bonds for infrastructure, facilities, the environment, and research and development.

## **III. Business and Economic Development**

While there is no doubt that passage of the Palesky Property Tax Cap would lower property taxes paid by businesses, it would also decimate the services and infrastructure that serve as the foundation for business growth and expansion. The net effect, over the long run, would deeply and negatively affect businesses and economic development in the state. For many businesses, particularly small businesses which comprise the significant majority of businesses in Maine, paying for publicly provided services privately is too costly. Additionally, private service alternatives are not always available, particularly in a rural state like Maine. The result is that the proposed Palesky Property Tax Cap would equate to higher costs of doing business in Maine.

***Businesses make investment, location, and expansion decisions based on the availability, reliability, and quality of services. Tax levels, considered in isolation, are not the major factor that drives business and economic development. By significantly reducing service levels, the proposed Palesky Cap will stifle business and economic development in Maine.***

While supporters of tax caps often argue that the cap is needed to spur private investment and economic development, studies indicate otherwise. Taxes, by themselves, are not a significant factor in the location decisions of businesses. There is ample evidence that taxes are only one of a great many factors that influence business location decisions. That which influences business investment and location decisions is the “quantity and quality of public services (such as schools, roads and highways, sewer systems, recreational facilities, higher education and health services).”<sup>ii</sup> Furthermore, it is a well-trained labor force and high-quality public services that are of equal or greater importance [as opposed to taxes] to businesses.<sup>iii</sup>

The internationally recognized business consulting firm, Deloitte & Touche/Fantus Consulting, recognized by the U.S. Chamber of Commerce for Corporate Citizenship, reported that commercial firms go through a complicated screening process in efforts to decide upon site locations. The factors examined at the initial level of screening among 15 to 100 sites are weighed differently by different types of businesses. For instance, both manufacturing and office-oriented businesses weigh labor costs most heavily. Manufacturing entities then look at transportation and utilities. Office-oriented businesses look next at occupancy opportunities. For both business types, the level of taxes carries a very low weight in the screening process for location decisions. In fact, after-taxes rates of profit do not vary significantly among states, thereby reducing the relative impact of local and state taxes on business location decisions.

Further, in his discussion of businesses that have screened their location choices down to a few three to five sites, Ady (1997), Executive Consultant of Deloitte & Touche, reported that businesses look to the health of public services and infrastructure. State, county, and local taxes are considered within the context of what they provide in public services, such as police protection and education capabilities. Furthermore, “For our clients, education has been found to be the single most important service, greatly exceeding the value of all other services combined.”<sup>iv</sup> Those services that follow in importance are highway adequacy, public safety, and infrastructure. Next are crime prevention and insurance rates, and general quality of life. Ady also states that “The site selection data do not suggest any correlation between low taxes and positive economic growth, or between high taxes and slow growth.”<sup>v</sup>

Ady goes on to say that businesses place more emphasis on location comparisons among communities rather than among states. Since differences in services provided by local communities are often greater than the differences in services among states, the level of public services in communities is of essential importance. “In the final analysis, companies choose specific communities in which to locate, not specific states.”<sup>vi</sup> Thus,

the importance of local public services, those that are sure to be significantly decreased as a result of a statewide tax cap, cannot be ignored in Maine's efforts to foster productive economic growth.

Other research also downplays the role that taxes play in business location decisions. For instance, according to Lynch (2004), "The after-taxes rates of profit within industries do not vary significantly by state. The deductibility of state and local taxes from federal taxable income has a great leveling effect, reducing the differentials among states."<sup>vii</sup> Similarly, Tannenwald and Papke (1995) found that because of federal taxation, tax burdens and the after-taxes rates of profit for businesses were relatively the same across states. This is due to the leveling effect of the federal tax structure. Therefore, different rates of taxation among states do not significantly affect rates of profit.

Furthermore, based on national statistics, state and local business taxes create a very small burden on the firms that pay them. "In 2000, state and local taxes paid by businesses reduced their total receipts by 1.1% and amounted to only 1.2% of their costs of doing business. All state and local taxes paid by businesses reduced their revenues by 0.7% and accounted for only 0.8% of their costs, according to the Internal Revenue Service."<sup>viii</sup>

***Education capacity is a dominant factor in business location decisions. If passed the Proposed Palesky Tax Cap will lead to significant reductions in education services at all levels to the point of negatively impacting business decisions to locate and grow in Maine.***

The importance of a quality education system cannot be overstated when one considers economic growth and development, according to studies cited in the New England Economic Review. Deloitte & Touche/Fantus Consulting reports that "For our clients (businesses making location decisions) education has been found to be the single most important (public) service"<sup>ix</sup> Additionally, Ady, of Deloitte & Touche, reported that "The single most important factor in (business) site selection today is the quality of the available work force...In fact; a quality work force may be the single most important determinant in the economic development success of any community."<sup>x</sup> Measures the companies look at are typically local SAT scores, percentage of students going on to postsecondary study, student/teacher ratios and other class size measures, and teacher salaries. The availability of college level facilities also strongly beckons businesses to a locale. Further, Garcia-Mila and McGuire (1992) reported that both education spending and median years of schooling are positive and statistically significant for the gross state product.<sup>xi</sup>

***Businesses are concerned about community capacity to provide adequate public safety services when they make location decisions. Again, passage of the Palesky Tax Cap will lower service levels and quality below a point needed to support business and economic development.***

Deloitte and Touche report that companies that are looking to locate in a new place research the capacity of public safety services. Since public safety services are provided mostly by local communities or counties, as opposed to state government entities, the local capacity to ensure adequate safety levels for employees and visitors is very important for economic growth.

***Overall, a positive ‘business climate’ relies on comprehensive, efficient, and reliable public services. Contrary to the claims of the Palesky Tax Cap proponents, a tax cap of the magnitude proposed would negatively impact the state’s business climate.***

A positive business climate is seen as one with the following characteristics, according to R. Lynch of the Economic Policy Institute:

- Quality and availability of social and physical infrastructure.
- Opportunities for employment and good quality of life.
- Geographic area’s reputation for being responsive and accommodating to businesses and policy for using taxes to help grow the economy.
- Availability of good roads and highways, secure bridges, ports and airports, capable and expandable sewage systems, efficient snow removal and flood control, ready fire and police protection, a professional justice system, and good schools.

Minnesota, for instance, creates a good business climate. The rewards are clear. Minnesota, although it has a higher tax burden than its neighbor, South Dakota, has:

- Higher per capita income after taxes.
- Higher average hourly earnings.
- Higher annual pay growth.
- Higher employment growth.
- Higher number of graduates, per capita, from high school and college.
- Less income disparity.
- Lower business failure rate than South Dakota.<sup>xii</sup>

Bartik (1991), in an analysis of 30 studies about economic growth, reported that most of the studies reflected a positive correlation between economic growth and public services: “Increases in spending for education and infrastructure were most consistently positively correlated with [economic] growth.”<sup>xiii</sup> Other research shows correlation between public services and economic growth. For instance, consider the following:

- Bartik (1989) found that when government increased spending on local schools and fire protection, those taxes effectively increased small business creation.
- Munnell (1990) found that when taxes were used to finance infrastructure improvements such as highways and sewers, the growth rate of *private* employment increased.
- Bartik (1996) reported that state manufacturing output increased as a result of increases in higher education and health spending.<sup>xiv</sup>

- Fisher (1997), published in the New England Economic Review, summarized findings from a meta-analysis of economics studies, and reported that “On many studies, government spending, public capital, or public services are estimated to exert a positive and statistically significant effect on economic development. (Table 1).”<sup>xv</sup>

<b>Table 1: Summary of Results, Studies of Selected Public Services</b>			
<b>Service Category</b>	<b>Highways (Transportation)</b>	<b>Public Safety (Police, Fire)</b>	<b>Education</b>
# of studies indicating services had positive impact on economic development	10 out of 15	7 out of 9	14 out of 19 positive
Source: Fisher, R. (1997). “The Effects of State and Local Services on Economic Development”, <i>The New England Economic Review</i> , March/April 1997			

***In terms of potential to create jobs, tax cuts are a poor investment. The proposed Palesky Tax Cap will do more to eliminate jobs than create jobs.***

Taxes are inextricably tied to the services they provide, for they are the revenue stream that enables municipalities to create and operate the infrastructure - police and fire protection, teachers and education capacity, local health services, highways, sewers, and road maintenance; the infrastructure that, if healthy and well-supported, creates and sustains the environment for business and commerce. “For every job created by a tax cut, an increase in the quantity and quality of public services would generate more jobs.”<sup>xvi</sup>

***Businesses that rely on the public’s business are negatively affected by tax caps. Maine businesses that contract with state and local governments for services will suffer significant negative impacts from passage of the Palesky Tax Cap.***

Businesses whose products and services are purchased by local government will be severely impacted by the proposed Palesky Cap. In Maine, there are many small municipal governments that, rather than staff the capacity to deliver all goods and services, contract with businesses for road construction, repair, and maintenance; ambulance services; facility maintenance and repair; and computer and technical services, among others. These industries will experience a significant loss in their market due the severe magnitude of the revenue loss under the Palesky Proposal. Also, indirectly, businesses that rely on the spending of government workers and workers of government contracted activities will lose the associated spending. For instance, the local convenience store that relies on the spending of road crews will lose that revenue.

In summary, while everyone, businesses included, wishes for lower taxes, few, if any, people desire the consequent reductions in services. In fact, many studies and business consultants highlight that businesses value most highly good schools and safe streets. Businesses want plowed roads and livable communities for their employees. Rigid tax caps which slash local budgets discourage investment by negatively impacting quality of life and the public services businesses need. Poor public services impair both the operations of the business and the ability of employers to attract good employees. Maine

needs to strike the right balance by having manageable tax levels while not sacrificing the public services that are so important to local businesses. Draconian tax caps elsewhere, similar to the Palesky Cap, failed to maintain a healthy balance. The Palesky Cap, resulting in such severe loss of services, will fail the people of Maine.

#### **IV. Governance & Local Control**

Maine citizens strongly value local control. However, if passed, the Palesky Tax Cap will result in the “handing over” of community decision-making to the state. By imposing a statewide vote on all communities, it will allow citizens in one community to impact the service and taxing decisions of another. Unfortunately, a community whose majority of citizens opposed the cap will, nevertheless, suffer its severe consequences. The end result will be government decision-making that is further removed and less accountable to Maine’s citizens.

***The Proposed Palesky Tax Cap will take power away from the majority of citizens in Maine’s communities.***

If the tax cap is passed, due to the two-thirds override provision, fiscal decisions in Maine will represent the views of a relatively small portion of the electorate. Out of a theoretical 100 voters, a mere 35 will be able to overturn the votes of the other 65. In other words, a relatively small minority of voters will be able to veto the will of the majority of voters.

As an example, Proposition 13 in California required that any override be enacted by a two-thirds vote, thus giving extraordinary veto power to the one-third minority. In 1993, citizens of Los Angeles, trying to function under Proposition 13, were frustrated in their efforts to place more police officers on the streets. A healthy majority of the voters, 57 percent, voted for more police. However, due to the “minority rules” provision of Prop 13 (like that of Maine’s threatened cap), that of requiring a two-thirds vote to override the cap statute and raise money beyond the limit, the majority was overridden.<sup>xvii</sup>

***California’s Proposition 13 has created a legacy of loss: citizens lost control over decisions regarding services and taxes in their communities. The proposed Palesky Tax Cap, modeled after Proposition 13, will have a similar effect.***

Proposition 13 greatly diminished local ability to raise revenues. When the state assumed some of that responsibility, the state exerted itself over the communities it was assisting financially. This predictable phenomenon negatively impacted citizens’ abilities to determine their own local needs in their communities. Local citizens could no longer get the services they desired because control of spending decisions had reverted to the state. According to the Public Policy Institute of California, the state mandates and determines local spending to a much greater degree than before Proposition 13. Loss of local control means there is little debate at the local level, and consequently, less accountability. In California, the state capitol simply took over.

Before Proposition 13, locally elected bodies determined the property tax rate based on the need to fund local programs and services. Thus, there was significant debate at the local level, both at the ballot box in terms of who was elected to these bodies and at public budget hearings about how the monies should be spent. Proposition 13 changed this scenario, removing the debate from the local arena. Many contend that accountability was also removed, because public officials now can argue that they cannot provide certain services because Sacramento is “calling the shots”<sup>xviii</sup>.

Data on the percent of revenues that are locally “self-controlled” prior to and following Proposition 13 further stress this point. As indicated in Table 2 below, locally controlled revenues went from 66 percent of all city revenue in 1978 to 43 percent in 1995. School district loss of local control was even more dramatic, going from 54% in 1978 to 6% in 1995.

<b>Table 2: Percentage of Total Revenues That Are Locally “Self-Controlled” in California “Pre” VS “Post” Proposition 13</b>			
	<b>1978</b>	<b>1995</b>	<b>Difference</b>
<b>Cities</b>	66%	43%	23%
<b>Counties</b>	50%	20%	30%
<b>Special Districts</b>	59%	38%	21%
<b>School Districts</b>	54%	6%	48%
Source: “Changes in State and Local Public Finance Since Proposition 13”, <i>Research Brief</i> , Public Policy Institute of California, 18, March 1999:2.			

This shift in governance, that of local control being lost to the state, has caused a proliferation of both funded and unfunded mandates that have been placed on localities. It is a long held belief that politicians removed from the local level are less accountable to local needs, desires, and preferences than local selectpersons, councilors, and school board members.

Regarding the loss of local control, in an interview for a Maine Sunday Telegram news article, the President of the Fort Bragg California School Board was quoted as saying “The Legislature has, in effect, become the school board for Fort Bragg.”<sup>xix</sup>

Passage of the Palesky Tax Cap, will have a devastating effect on the ability of Maine’s communities to strike their own appropriate balance in meeting service needs and setting tax and spending levels. California’s experience has taught us that, “It will become increasingly common for local governments to turn to the state to address local issues instead of creating solutions that target the particular needs and demographics of the local community”<sup>xx</sup>.

## **V. Services, Facilities and Infrastructure**

Local governments in Maine are already significantly limited by the state in terms of local revenue raising authority. Under Maine law, local governments are not allowed to levy taxes from any significant source other than property and excise taxes. Maine local

governments cannot levy sales or income taxes, for instance. By stripping away the only significant source of taxation available to local governments, the proposed Palesky Tax Cap will definitely result in significant reductions in services.

In other states, most notably California, where a similar tax cap was implemented, local governments had other tax options, including the sales tax, to defray the impacts of the property tax cap. This is not the case in Maine. The Palesky Tax Cap will lead to significant increases in non-property tax revenues most such as user fees and development impact fees. However, these revenue bases are not broad enough to avoid the inevitable drastic reduction in services.

***People who vote for tax caps generally do not want to reduce their services, but that is what happens. Passage of the Palesky Tax Cap will reduce services below the point desired by Maine citizens and businesses.***

The research literature discusses the “more for less paradox” where citizens appear to want both lower taxes and increased public services. According to S. Welch (1985), when survey respondents are asked explicitly how they would fund desired increases in public spending, the majority indicate a willingness to pay more in taxes or user fees.<sup>xxi</sup>

Supporters of tax caps throughout the country generally argue that the political system operates in such a way that government spending and the revenue to support this spending, primarily taxes, are higher than residents’ desire. When survey respondents are asked whether they would like to reduce or eliminate specific government functions, the results often indicate that most people are either satisfied with the services they receive or would like their government to provide higher levels of service.<sup>xxii</sup>

***Both residents and businesses value quality education which, according to many experts, is the strongest determinant in economic growth. However, the proposed Palesky Tax Cap will shift the balance of power toward those who oppose school spending.***

The Massachusetts tax cap had its greatest effect on limiting spending for education and the resulting cuts had larger and more significant effects on house price declines than did cuts in non-school spending. “The large percentage of families that are moving, either for business opportunities or other reasons, and are bidding for housing, do value public schools. This phenomenon results in higher bids for housing in communities that are raising their school spending. Even controlling for a town’s existing quality of schools, movers are willing to pay more to live in communities that are maintaining and expanding their commitment to local public schools.”<sup>xxiii</sup>

Thus, the level of school spending and the demonstrated willingness of communities to respond adequately to businesses’ and residents’ desires for good schools are inextricably connected to home prices and the equity people have in their property. Tax caps, however, tie the hands of communities in efforts to make fiscally-responsible decisions regarding the services both businesses and residents desire and value.

In California, Proposition 13 (the tax cap on which the Palesky Cap is based) ushered in many long-lasting problems. Major among them was a deterioration of the public schools. For instance, the Washington Post reported that a decade after the referendum:

- Schools have deteriorated.
- California's test scores, once among the nation's highest, have fallen far down in the pack.
- California ranks 50<sup>th</sup> in per capita spending on schools.
- California has the nation's highest average class size.<sup>xxiv</sup>

Furthermore, according to the California Budget Project, a nonprofit, nonpartisan research institute, less than two decades after Proposition 13, "the state lags far behind in terms of critical investments in education and infrastructure. California ranked 49th in elementary and secondary school spending as a percentage of personal income, 35th in higher education spending, and 49th in highway spending. California is at far greater risk for deficits in public investment ranging from education to infrastructure than from an excessively high tax burden."<sup>xxv</sup>

Has less spending and investment impacted performance? In California the answer is yes. A study by the Public Policy Institute of California concluded that "school districts coped with funding limitations by hiring fewer teachers, thereby increasing class size; and that student performance has declined since the early 1980's."<sup>xxvi</sup> In addition, the Maine Sunday Telegram reported that "On the 2000 National Assessment of Education Progress – Science Examination, California's eighth graders tied for last in the nation. In the 2001 math test, California again ranked last"<sup>xxvii</sup>

## **VI. Tax Relief, Tax Shifts, and Unintended Consequences**

In addition to having direct negative impacts on businesses, local decision-making, and service levels and quality, the proposed Palesky Tax Cap will result in several unintended consequences.

***The proposed Palesky Tax Cap would provide completely untargeted property tax reductions. The result will be a higher burden on residents.***

California's Proposition 13 created big winners - the major corporations. The Los Angeles Times reported that although business leaders opposed Proposition 13 because of the predicted decimation in public services, the major corporations nevertheless avoided millions of dollars in property taxes. For instance, Southern California Edison saved \$54 million...and Pacific Telephone & Telegraph saw their bill drop by \$130 million.<sup>xxviii</sup> In Maine, the loss of property taxes from out-of-state property owners will place more burden on Maine residents' income tax.

***User fees, fines, penalties, assessments, and regulatory fees will proliferate if the proposed Palesky Tax Cap is passed.***

As a result of Proposition 13, the severe tax constraints forced local governments to look to other sources of revenue. These included enterprise revenues, assessments, regulatory fees and taxes, fines and penalties, and general service charges. Enterprise revenues alone, those revenues that are generated by utility companies that sell water, electricity, natural gas, waste disposal services, etc. to the public reportedly grew by nearly 400 percent in a decade and a half following Proposition 13 enactment. Similarly, business license taxes, franchise taxes, real property transfer taxes, and transient lodging taxes rose 454 percent in the 15 years following Proposition 13 enactment.<sup>xxix</sup> Development fees (fees charged by localities on developers of new homes) increased substantially. A 1997 study by the Public Policy Institute of California found that the price of development fees per home ranged from \$20,000 to \$30,000<sup>xxx</sup>. In many parts of Maine, such fees would exacerbate the existing housing affordability problem and further increase the shortage in housing.

***A tax restriction of the magnitude proposed by Palesky will raise state and local borrowing costs in Maine.***

According to a study cited by the Public Policy Institute of California in 2003, tax caps negatively affect states' bond ratings and force higher cost for borrowing. The Institute asserts that provisions such as that proposed for Maine will make the state a higher credit risk due to the increased difficulty in raising revenue to pay debt: "States that restrict taxes or that require supermajorities to increase taxes face higher borrowing costs than states without such restrictions. States with these types of requirements are perceived as a greater credit risk because they may have difficulty raising the revenue necessary to meet their debt."<sup>xxxi</sup>

***Although the proposed Palesky Tax Cap would cap local property taxes, the cap will have a significant negative impact on state provided services.***

Although the cap will initially impact local revenues and services, by removing a key component of the state and local revenue structure, the cap will also impact state services. As the state decides which of the previously locally funded services should now be supported by the state, this will shift some revenues from existing state services to cover the previously locally provided services.

***The tax cap in Massachusetts caused homeowners to lose equity in their homes. This would occur under the Palesky Tax Cap in communities that are forced to reduce service levels below the level by the majority of its citizens.***

In the Journal of Public Economics, Bradbury, K., et al (2001), writing for the Federal Reserve Bank of Boston, reported that house prices fell in communities that, originally having made high effort toward providing education services, reduced their spending or slowed their growth in spending for education as a result of the statewide tax cap. The fall in home values resulted from a decrease in demand, since buyers chose not to buy in communities where education services had fallen or slowed in growth since institution of

the cap. Bradbury reported that “The evidence indicates that Proposition 2<sup>1/2</sup> (Prop 2<sup>1/2</sup>) did affect local house prices through changes in town spending: house prices performed worse in communities that had slower increases in spending, suggesting that Prop 2<sup>1/2</sup> led communities to spend ‘too little’ on services.”<sup>xxxii</sup>

Tax caps are an anomaly in and of themselves. They force a decrease in spending and services, but cause a loss in home equity. Artificial limits such as caps derive from voters’ concerns that local officials are raising taxes to pay for services that local residents do not value. In fact, however, according to Bradbury, Prop 2<sup>1/2</sup> “prevented residents from obtaining services they desired and for which they would have been willing to pay...Potential home purchasers considered the attraction of increases in school spending to outweigh the costs of increased taxes to pay for them.”<sup>xxxiii</sup> Likewise, Kodrzycki (2001) reported that “economic models predict that communities will adjust the amount of public services in response to the changing desires of households. However, the Massachusetts cap raised strong barriers to providing desired services in some communities.”<sup>xxxiv</sup> Hence, potential home buyers went elsewhere, the demand for housing decreased, home prices declined, and homeowners lost value and equity in their homes.

## **VII. Specific Experiences Regarding California’s Proposition 13**

As indicated in the introduction, the Palesky Tax Cap proposal is modeled after California’s Proposition 13, passed in 1978. Since that time numerous negative impacts have been identified and reported in the literature. These are summarized below. Some of these findings repeat the information provided in the previous sections of this report. They are presented here to summarize the specific impacts experienced in California.

Repeatedly, the public record about the effects of Proposition 13 reports “no small cost” to California. The Washington Post reported that, in California approximately a decade after the referendum:

- Some local governments and counties have found themselves out of money
- California’s infrastructure of public services has grown shabby
- Few new highways have been built
- Traffic on many freeways has been stalled even at midday
- Schools have deteriorated
- California’s test scores, once among the nation’s highest, have fallen far down in the pack<sup>xxxv</sup>
- Sprawl requires commuters to live far from jobs
- Orange County built only two new miles of freeways in more than a decade following Prop 13; serious congestion is the result. “The cellular phone business for commuters gridlocked in congestion, wasting the state’s most precious resource, its citizens’ time”<sup>xxxvi</sup>
- California ranks 49<sup>th</sup> in per capita spending on highways
- California ranks 50<sup>th</sup> in per capita spending on schools
- California has the nation’s highest average class size

- California needs to spend \$5.6 billion just to bring sewage treatment up to the federal standards. “San Jose’s sewage capacity is so strained that the city government urged residents not to flush their toilets all at the same time during the Super Bowl halftime”,<sup>xxvii</sup>
- Fiscal crises damaged the state’s credit ratings; they were lowered in 1992 as a result of a budget crisis

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## Endnotes

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- i In addition to the one percent of valuation, Maine communities would be able to raise property tax revenues to cover current year payments on debt which was approved by the voters before 1999 or approved by at least 2/3 of the voters between 1999-2004.
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- vi Ady, 80.
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- xxviii Stephanie Simon, "20 Years Later, Prop 13 Still Marks California Life", *The Los Angeles Times*, May 26, 1998, Los Angeles, CA: 3.
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- xxxii Tax Restrictions such as Prop 13 Raise Borrowing Cists for States". (2003). *Press Release*. Public Policy Institute of California. 2003,2004.

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xxxii Bradbury, 289.  
xxxiii Bradbury, 309.  
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