Proposition 13 Fever: 
How California’s Tax Limitation Spread

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Abstract

Much of the best scholarship on the economic or fiscal impacts of Proposition 13 probably understates those impacts, because it considers only impacts of property tax limitation in California. Proposition 13 spilled over from California into other states. It spilled over from the property tax into other policies. And scholars have even begun to accumulate evidence that it spilled over from the state arena into federal fiscal policy as well. Proposition 13 was a pivotal moment that changed how Congress perceived public opinion on taxes and government spending in general.

KEYWORDS: Proposition 13, taxes, property tax, California politics
On June 6, 1978, California voters approved Proposition 13, a constitutional amendment that cut local property taxes, limited the future growth of property tax revenues, converted the property tax base from market value to acquisition value, and restricted the ability of state and local governments to raise other taxes. Observers at the time saw it as a watershed of national significance. They argued that it was inspiring voters in other states to demand tax limitation laws of their own (Boeth, Lubenow, Kasindorf, and Thomas 1978; Friedman 1978). The nation was said to be in the grip of “Proposition 13 fever” (Kuttner 1980).

If these contemporaries were right about Proposition 13 fever, then much of what we think we know about the economic and fiscal impacts of Proposition 13 may be wrong. Economists and scholars of public administration have found, e.g., that Proposition 13 constrained the growth of government budgets, changed how local governments raise money (Reid 1988; Shires 1999), reduced the quality of local government services (Figlio and Rueben 2001; McGuire and Rueben 1997), and constrained the mobility of homeowners (O’Sullivan, Sexton, and Sheffrin 1995; Wasi and White 2005). But our best estimates of these impacts come from studies that compare California to other states, on the assumption that those states approximate what California would have been like without Proposition 13, so that it is reasonable to treat the comparison as something like an experiment (Campbell and Stanley 1963; King, Keohane, and Verba 1994). If the impact of Proposition 13 spilled over state borders then this research strategy will tend to underestimate the impact of Proposition 13 for two reasons. First, it ignores the impact on other states. And second, spillover contaminates the quasi-experimental comparison, leading the comparison states to look more like post–Proposition-13 California than they

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would otherwise—and thereby leading us to infer that Proposition 13 made less of a difference than it actually did (Lieberson 1985).

Did the impact of Proposition 13 spill over state borders? The answer is not immediately obvious. Howard Jarvis, one of the authors of the amendment, called it the “shot heard round the nation” and took credit for inspiring subsequent tax cuts in other states (Jarvis and Pack 1979). But Jarvis was notorious for exaggerating his own importance. Opponents of Proposition 13, by contrast, have sometimes tried to make themselves appear successful by minimizing Jarvis’s accomplishments (Osborne 1979), and at other times have played up the national impact of Proposition 13 in order to demonstrate the urgency of repealing it (Schrag 1998).

This article weighs the evidence, and concludes that Proposition 13 fever was more than a mere metaphor. Both statistical analysis of the available data and interpretive analysis of the historical record show that Proposition 13 did indeed spread via a process of social contagion. One implication of this finding is that Proposition 13 may have had considerably greater impact, for good or ill, than most economists and policy analysts have realized. Another implication is that California voters may have a special responsibility to make good policy. At least sometimes, we make policy not just for California, but for the nation.

Policy Diffusion and Proposition 13 Fever

“Proposition 13 fever” is an example of what political scientists have called policy diffusion, or the spread of a policy idea from one jurisdiction to another (Berry and Berry 2007; Karch 2007a; Walker 1969). Policy diffusion is different from mere proliferation. To speak of diffusion is to imply that the actions of policymakers in one jurisdiction have a causal impact on the actions of policymakers in another.

There are reasons to think that policy diffusion is common. Legislators must ordinarily make decisions rapidly in the face of considerable uncertainty about the consequences of those decisions. Given the natural limits on human information processing capacity, they lean heavily on simple decision-making heuristics, and one of the simplest is to imitate a salient policy (Karch 2007a). This quick and dirty (or “fast and frugal” [see Gigerenzer et al. 1999]) decision-making strategy may be particularly important for state policymakers, who do not have the same staff support or information-gathering infrastructure that federal policymakers possess. Policy borrowing may also be particularly easy for state policymakers, since state politics is an institutional domain characterized by two key social conditions for diffusion (see DiMaggio and Powell 1983; Strang and Meyer 1993). First, there are a large number of other states that are culturally defined as analogous, and therefore
as legitimate candidates for emulation. Second, there is substantial organizational infrastructure designed specifically to facilitate information-sharing about “best practices,” ranging from professional organizations such as the National Conference of State Legislatures, to multistate lobbying organizations, to informal activist networks that make it a point to propagate the policies they prefer (see, e.g., Martin 2001).

Despite the fact that policy diffusion is probably pervasive, it is difficult to establish with certainty in any particular instance that diffusion has taken place. The central problem is the implied causal claim: it is not enough to show that a policy proliferated, but it must also be shown that latecomers adopted the policy in part because earlier adopters already did so. The social scientist’s usual tools for causal inference are ill suited to this problem. Experiments are usually impossible in policy settings, and always impossible when the research concerns the past. The usual remedy in observational studies—a comparative or “quasi-experimental” research design—is also difficult to implement in the presence of diffusion, because quasi-experimental designs assume that cases are causally independent of one another (King, Keohane, and Verba 1994; Lieberson 1985). It is possible to model diffusion statistically with time-series cross-section data, provided one is willing to impose strong assumptions about the functional form of the interdependence among cases. The best recent work makes use of event-history modeling techniques (Berry and Berry 2007; Strang and Soule 1998; Strang and Tuma 1993). But even in the best case, such quantitative methods are usually not adequate to adjudicate definitively among different causal hypotheses, and they are best supplemented by qualitative data that permits the analyst to trace a policy idea through successive stages of the diffusion process (Karch 2007a; Karch 2007b).

Quantitative Evidence for the Spread of Tax Limitation

In the case of Proposition 13, the record of tax limitation in other states suggests that it is at least plausible to speak of diffusion. Figure 1 illustrates the cumulative number of states that adopted laws similar to Proposition 13. Of course, many different kinds of policies might be called “similar to Proposition 13,” because it was a complicated law that packaged together a variety of different provisions that were only loosely related to each other. Rather than impose an arbitrary definition, I have chosen to describe four different kinds of policies that might fit this description, including (1) policies that limit the annual growth of assessed property valuations; (2) policies that effectively limit the annual growth of the total property tax levy of local school districts; (3) policies that effectively limit the annual growth of the total property tax levy of any local government, whether school district, county,
or municipality; and (4) policies that limit the annual growth of the state budget, whether by limiting the growth of expenditures or revenues. The data were compiled by Mullins and Wallin (2004).

The figure provides our first clue that Proposition 13 diffused to other states. Regardless of which kind of tax limitation policy we consider, the figure shows that it spread more rapidly after 1978. The figure resembles the classic S-shaped diffusion curve that sociologists have found in studies of socially contagious innovations ranging from hybrid seed corn (Ryan and Gross 1943) to pharmaceuticals (Coleman, Katz, and Menzel 1966) to city-manager government (Knoke 1982; for general reviews of the classic diffusion literature, see Rogers 1995 [1962]; Strang and Soule 1998). Moreover, the passage of Proposition 13 in 1978 marks a noticeable point of inflection in all four curves, when the pace of innovation began to increase visibly.

As I have already noted, however, the description of the pattern alone is not conclusive evidence for diffusion. Although a rapid increase in the passage of tax limits followed Proposition 13, it is surely wrong to assume that all of this increase was because of Proposition 13. Figure 1 shows, e.g., that a handful of other states had property tax limitations before Proposition 13. It also shows that the pace of tax limitation began to pick up in the early 1970s, even before Proposition 13. We may take these facts as prima facie evidence that at least some other states might have found their way to such limitations after 1978 even if Proposition 13 had never
passed. And indeed there were several other trends in this period that might have been pushing states toward tax limitation. Rates of home ownership were increasing, making more voters sensitive to property taxes. The cost of public schools was increasing. Average incomes continued to increase, and affluent voters tend to be more conservative.

In order to test whether Proposition 13 really made a difference, I estimated statistical models of the rate of passage before and after Proposition 13 in all states outside of California, controlling for several other factors that might have affected the passage of tax limits—including the home ownership rate, the black population share, total state personal income per capita, union density, conservative opinion, state and local government spending on education as a percentage of total state personal income, state and local property tax revenues as a percentage of total state personal income, the availability of the ballot initiative, and the number of legislative houses under Republican control. Table 1 reports the annual rate of passage—i.e., the annual probability that a state would pass such a law—and the adjusted rate of passage after controlling for these independent variables. The latter is the annual probability of passage predicted from an event history model by holding all other independent variables constant at their average values (the mean values for continuous variables, and the modal values for categorical variables). The data include annual observations for all states other than California and cover the period from 1965 to 1990. It was not possible to estimate an event-history model of limitations on the growth of assessed values, because the before-and-after variable perfectly predicted the absence of such laws: there was not a single one passed between 1965 and the passage of Proposition 13.

The results reported in Table 1 show clearly that the passage of policies similar to Proposition 13 accelerated after 1978. This is true regardless of what precise variety of tax limitation we consider, and it is true regardless of whether we consider raw rates of passage, or adjust for trends in other variables described above. To grasp the magnitude of the acceleration, we can multiply the annual rate by 49 to express it as the number of states outside of California that might be expected to enact tax limits in a given time period. All else being equal, the before-and-after comparison implies that Proposition 13 increased the rate of school district property tax levy limits from one state every hundred years to one every two years. It increased the rate of local levy limits in general from one state every 10 years to two states per year.

Of course, a dichotomous “before-and-after” measure is a crude way to measure the impact of Proposition 13. The measured coefficient of this variable might be a spurious proxy for the influence of any unmeasured variable that increased over time. One way to determine whether Proposition 13 really was a unique turning point is to compare 1978 to another arbitrarily chosen year. Was 1978 truly special,
Table 1. Proposition 13 Increased the Rate at which other States Passed Tax Limitation Laws

<table>
<thead>
<tr>
<th></th>
<th>Unadjusted rate of passage</th>
<th>Adjusted rate of passage</th>
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<tbody>
<tr>
<td></td>
<td>Before Prop. 13</td>
<td>After Prop. 13</td>
</tr>
<tr>
<td>Any limit on growth of assessed values</td>
<td>0.000</td>
<td>0.007</td>
</tr>
<tr>
<td>Limit on school district property tax levy</td>
<td>0.003</td>
<td>0.02</td>
</tr>
<tr>
<td>Limit on any local property tax levy</td>
<td>0.01</td>
<td>0.04</td>
</tr>
<tr>
<td>Limit on growth of state budget</td>
<td>0.002</td>
<td>0.04</td>
</tr>
</tbody>
</table>

All before-and-after differences are statistically significant (p<.05).

“Adjusted rate of passage” is calculated for an average state from an event history model that controls for all of the following variables (see Appendix for sources): the home ownership rate, black population share, urban population share, total state personal income per capita, union density, conservative opinion, state and local government spending on education as a percentage of total state personal income, state and local property tax revenues as a percentage of total state personal income, the availability of the ballot initiative, and the number of legislative houses under Republican control.

All event history models fit the data significantly better than a null model (p<.01) according to likelihood-ratio chi-squared tests.

a Model includes an additional control variable for the presence of a court-ordered school finance equalization, coded from Manwaring and Sheffrin (Manwaring and Sheffrin 1997).
or might we just as well have concluded that there was a turning point if we compared the rate of passage before and after 1970, say, or 1986? To answer this question, I estimated a series of event history models identical to those reported in Table 1, but specifying each year in turn as a turning point (represented in the regression analysis by a dichotomous “before-and-after” variable). Figure 2 illustrates the results. The horizontal axis represents the year that was specified as a turning point, and the vertical axis is a standard measure of how well the coefficient for that turning point fits the data. The figure shows that the models that fit best were those that specified a turning point some time in the period from 1976 to 1978. The turning point seems to fall in this window regardless of which variety of tax limitation policy we consider. This finding does not rule out the possibility that some other event in this period might have made the difference, but it should increase our confidence that there really was a turning point around the time of Proposition 13.

**Qualitative Evidence of Diffusion**

The statistical evidence is consistent with the spread of Proposition 13 fever, and it rules out some other explanations for the spread of property tax limits, but it
does not clinch the case that Proposition 13 was the vector of contagion. If it is true that Proposition 13 caused this wave of tax limits, then we should find evidence in the qualitative record that Proposition 13 changed minds. We should find traces of the contagion not just in observers’ generalizations about “Proposition 13 fever,” but also in the private documents of politicians and activists, where they communicated policy ideas to each other outside of the public eye.

That is indeed what we find. Because space is limited I will offer only a brief illustrative case study of Michigan. The case is chosen in part because it is distant from California, to illustrate why the event history analysis treated the diffusion of Proposition 13 as a national rather than a regional process (cf. Berry and Berry 2007). This was a truly national diffusion process, not confined to states connected by direct geographic proximity or tax competition or any other form of frequent exchange (see Karch 2007a; Strang and Meyer 1993). The case is also chosen to illustrate two different pathways by which the passage of this tax limit in California affected political decision-making in other states.

The First Pathway: Activist Networks

One way that Proposition 13 fever spread was through loosely connected networks of conservative activists. The example of Proposition 13 led conservative activists in other states to embrace the cause of property tax limitation for the first time, because they saw it as a winning issue.

This was a genuine transformation in the grassroots right. Before 1978, conservative taxpayer activists saw limits on the growth of state spending and limits on the growth of the local property tax as fundamentally different kinds of policy. Indeed, they were perceived to be in conflict: if local property tax relief came at a cost in state spending, it was rejected as unconservative. When Ronald Reagan was governor of California, for example, he had recruited a “kitchen cabinet” of conservative activists to launch an unsuccessful initiative campaign for a limit on the growth of the state budget (Burbank 1993/94), but he opposed several local property tax limitation initiatives that resembled Proposition 13 (Turpin 1972). In Michigan, conservative activists who had ties to Reagan’s kitchen cabinet founded a group called Taxpayers United to press for a limit on the state budget, and twice circulated initiatives to limit state taxation while ignoring the local property tax.

After Proposition 13, these conservative activists warmed to property tax limits. The activist Lew Uhler, who had helped to draft Governor Reagan’s unsuccessful tax limit initiative in 1973, wrote to the leadership of Taxpayers United in 1978 to tell them that they should get on the Proposition 13 bandwagon. “My cumulative experience has led me to revise the tax limitation model, retitling it ‘Property Tax
and State Tax Limitation Amendment,’ and placing the property tax reduction and limitation sections right up front,” he wrote. The point of this, he wrote, was to “ride the political momentum occasioned by the property tax revolt which grips Michigan, California, and many other states.”5 They took his advice, and began circulating a property tax limitation initiative called the Headlee Amendment.

The conservative networks that assisted in the spread of Proposition 13 did not necessarily predate the amendment. Another Michigan conservative activist named Robert Tisch who at first knew Jarvis only through the news media wrote his own tax limitation initiative explicitly modeled on Proposition 13 in the spring of 1978, before Proposition 13 had passed in California. He contacted Jarvis and forged a close connection in the course of his petition drive. Jarvis consulted with him on strategy and flew to Michigan to campaign for the Tisch Amendment (Aamoth 1978; Detroit News 1978).

The Second Pathway: Elected Officials

A second way that the fever spread was by providing elected officials with a salient policy solution for a pressing problem. Rising property taxes—occasioned by the combination of rising home prices and improvements in assessment techniques—were widely perceived as a political crisis. After Proposition 13, politicians, including liberals and moderates, decided that Proposition 13 represented a viable solution to the crisis.

The moderate Republican governor of Michigan provides a clear example. In 1976, Governor William Milliken had sided with the state teacher’s union against the tax limitation initiative circulated by Taxpayers United.6 But a week after Proposition 13 passed, one of his big campaign contributors wrote to tell him it was time to change his position: “I am firmly convinced that a strong position in support of [property tax limitation] is the only way that you will be elected to another term as governor. . . . Secondly, if [a] reasonable tax limitation proposal . . . is not enacted, Michigan will be faced with an extreme cut-back in tax revenues, such as California’s Proposition 13.”7

The threat was plausible because Tisch was, in fact, circulating a more extreme property tax limitation initiative at the time. Milliken decided to take his contributor’s advice. He broke with the teachers and—like much of the rest of the Michigan political establishment—embraced the Headlee Amendment in order to head off the alternative. Michigan voters approved the Headlee Amendment and rejected the Tisch Amendment that fall (Kuttner 1980).

In summary, this qualitative evidence shows that policymakers and activists changed their positions on tax limitation after Proposition 13; that they attributed
their changes of heart to Proposition 13; that they described their new preferred policies with reference to the passage of Proposition 13 in California; and that their new Proposition-13-like policy proposals often succeeded where previous efforts to cut or limit taxes had failed. Michigan is only a single example, but published case studies of other states including Massachusetts and New York confirm these generalizations (see Martin 2008: chapter 5). In combination with the statistical evidence presented above, these qualitative case studies are strong evidence that Proposition 13 really did cause the increase in the passage of tax limitations that we observe after 1978.

**Implications for Scholars and Policymakers**

The chapter has presented evidence that Proposition 13 *did* spread something like a fever. California was contagious. Activists saw it as a model that they could emulate to achieve some of their ends. Policymakers likewise saw it as a policy model that they could use.

This finding implies that much of the best scholarship on the economic or fiscal impacts of Proposition 13 probably understates those impacts, because it considers only impacts of property tax limitation in California. Proposition 13 spilled over from California into other states. It spilled over from the property tax into other policies. And scholars have even begun to accumulate evidence that it spilled over from the state arena into federal fiscal policy as well. Proposition 13 was a pivotal moment that changed how Congress perceived public opinion on taxes and government spending in general. Recent monographs by political sociologists, e.g., present evidence that Proposition 13 shaped congressional debates over federal income tax policy and welfare reform (Prasad 2006; Steensland 2008).

These findings also tell us something about what is at stake today when Californians debate whether and how to reform Proposition 13 and what to do about our system of state and local budgeting in general. Californians like to flatter ourselves that we are trend setters. The case of Proposition 13 shows that at least sometimes we really are. A less flattering way to put the point is that when we sneeze, other states can catch cold.

Of course not every policy that California voters approve is as infectious as Proposition 13. It is beyond the scope of this paper to present a systematic comparative analysis of why some policies diffuse more readily than others. But one reason why Proposition 13 in particular drew so much attention was probably that this was not the policy that outside observers expected from California, which before 1978 was widely stereotyped as a liberal, big-government state (see Schrag 1998). Proposition 13 stood out against this background stereotype as particularly
surprising news—and it was therefore assumed to express a major shift in the preferences of the voting public, despite plenty of evidence that those preferences were pretty much the same as before (see Sears and Citrin 1985). The result was a classic self-fulfilling prophecy (Merton 1968 [1949]): Proposition 13 was a bellwether of change because politicians thought it was a bellwether of change and changed their behavior accordingly.

Could it happen again? The intervening 30 years have surely changed the stereotype of California held by policymakers in other states. We are now widely known for our unwillingness to pay taxes, and for our chronic budget deficit. Few would be surprised today if California voters approved another tax limitation; it is easier to imagine the national headlines that would result if California voters approved an initiative to undo the limitations of Proposition 13 and increase taxes. Such reforms to Proposition 13 do not seem to be in the immediate offing. But when they come, they too may prove to be catching.
## Appendix

### Data Sources and Estimation Results from Event History Regression Models

<table>
<thead>
<tr>
<th>Variable [range]</th>
<th>Sources and Notes</th>
<th>Logit Coefficient</th>
<th>School levy limit</th>
<th>Any levy limit</th>
<th>State budget limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home owners [44% to 74% of households]</td>
<td>U.S. Bureau of the Census (2002a). Values for intercensal years interpolated linearly.</td>
<td></td>
<td>.24 (.10)</td>
<td>.02 (.06)</td>
<td>.07 (.08)</td>
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<tr>
<td>African Americans [0% to 39% of pop.]</td>
<td>National Cancer Institute (2006). Values for 1965–1967 interpolated linearly.</td>
<td></td>
<td>.01 (.03)</td>
<td>.04 (.03)</td>
<td>.03 (.04)</td>
</tr>
<tr>
<td>Urban population share [32% to 89% of pop.]</td>
<td>U.S. Bureau of the Census (2002b). Values for intercensal years interpolated linearly.</td>
<td></td>
<td>.06 (.03)</td>
<td>.03 (.02)</td>
<td>.04 (.03)</td>
</tr>
<tr>
<td>Personal income per capita, constant $000s [5.4 to 21.2]</td>
<td>Calculated from U.S. Bureau of Economic Analysis (2002) and National Cancer Institute (2002).</td>
<td></td>
<td>-.46 (.26)</td>
<td>-.27 (.18)</td>
<td>-.03 (.21)</td>
</tr>
<tr>
<td>Union membership [4% to 43% of labor force]</td>
<td>Hirsch et al. (2001, 2007).</td>
<td></td>
<td>.02 (.05)</td>
<td>.01 (.04)</td>
<td>.04 (.07)</td>
</tr>
<tr>
<td>Conservatives [28% to 44% of survey respondents]</td>
<td>Erikson et al. (1993). Measured by aggregating samples over 1976 to 1988, extrapolated as time-invariant.</td>
<td></td>
<td>-.24 (.16)</td>
<td>-.37 (.13)</td>
<td>-.04 (.21)</td>
</tr>
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</table>
## Variable [range] | Sources and Notes | Logit Coefficient |  
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<tbody>
<tr>
<td></td>
<td></td>
<td>School levy limit</td>
</tr>
<tr>
<td>State and local education spending [3.3% to 12.6% of personal income]</td>
<td>Calculated from U.S. Bureau of the Census, series GF (various) and U.S. Bureau of Economic Analysis (2002).</td>
<td>.52 (.31)</td>
</tr>
<tr>
<td>State and local property tax revenue [1.0% to 10.9% of personal income]</td>
<td>Calculated from U.S. Bureau of the Census, series GF (various) and U.S. Bureau of Economic Analysis (2002).</td>
<td>-.50 (.33)</td>
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<tr>
<td>Court-ordered school finance equalization? [1=yes, 0=no]</td>
<td>Calculated from Manwaring and Sheffrin (1997)</td>
<td>-.47 (.91)</td>
</tr>
<tr>
<td>Ballot initiative? [1=yes, 0=no]</td>
<td>Council of State Legislatures (various).</td>
<td>1.47 (.82)</td>
</tr>
<tr>
<td>Republican-controlled legislative houses [0 to 2]</td>
<td>U.S. Bureau of the Census (various years), <em>Statistical Abstract.</em></td>
<td>-.68 (.63)</td>
</tr>
<tr>
<td>After Proposition 13? [1=yes, 0=no]</td>
<td>Coded yes for 1978 or later.</td>
<td>3.60 (1.42)</td>
</tr>
<tr>
<td>Constant term</td>
<td></td>
<td>-16.38 (4.87)</td>
</tr>
</tbody>
</table>
References


Notes

1 In light of this argument, it may come as something of a surprise that political science has devoted comparatively little attention to the study of social diffusion. Everett Rogers’s (1995) exhaustive review of diffusion research in the social sciences, e.g., finds 1,454 studies in sociology (including rural sociology and medical sociology), 245 in economics (including agricultural economics), 141 in anthropology, and 129 in political science (including public administration), along with hundreds of others in professional and interdisciplinary fields (Rogers 1995: 42–43).

2 For my present analytical purposes, an effective limit on the growth of the property tax levy may take the form of an explicit limit on the total levy, or it may arise implicitly from the combination of a limitation on the tax rate combined with a limitation on the growth of assessed valuation. See Joyce and Mullins (1991), Preston and Ichniowski (1991).

3 These event history models took the logistic functional form $P(\text{passing a tax limit}) = \exp(\alpha + \beta x + \gamma z)/(1 + \exp[\alpha + \beta x + \gamma z])$, where $\alpha$ is a constant term, $\beta$ is a column vector of coefficients, $\gamma$ is a scalar coefficient, $z$ is a dichotomous variable equal to zero for observations prior to 1978 and equal to one for observations dated 1978 and thereafter, and $x$ is a row vector including all of the independent variables described above. The unit of observation is the state-year, and states are dropped from the data (or “right-censored”) after the passage of a tax limit, so the number of observations differs across models ($N=1,063$ for the analysis of school levy limits, $N=882$ for the analysis of all levy limits, and $N=1,062$ for the analysis of state budget limits). Sources of the variables are described in the appendix.

4 Specifically, it is the t-statistic calculated from the ratio of the coefficient and the standard error. Values greater than approximately 1.96 indicate that the difference between “before” and “after” is statistically significant at the conventional .05 level.

