

Term Limits and Economic Policy Choices: An Examination of U.S. State Spending
Patterns

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Abstract

This paper investigates the impact of legislative term limits on state government spending and tax rates. Supporters of term limits argue that term limits will lower government spending by replacing career politicians with citizen-legislators who are more likely to favor a more limited government. Using fiscal data from 48 states from 1977 to 2001, this paper finds that term limits lead to an increase in expenditures per capita and a decrease in average tax rates. Further, this paper shows that term limits do not facilitate the election of political amateurs to the state legislature. Using data from California, Colorado, and Maine from 1984 to 2001, this paper finds that term limits are more likely to encourage state legislators and city council members to run for higher officer rather than political novices. This paper concludes that term limits give legislators greater incentives to deviate from socially optimal fiscal policy by altering the costs and benefits associated with certain types of economic policies.

1. Introduction

Recent studies have found ample evidence to support the claim that fiscal institutions can act as effective constraints on state fiscal policy. Balanced budget rules, tax and expenditures limits, supermajority requirements for new tax legislation, and the line-item veto are just a few of the budgetary rules and procedures that have been found to be significant in empirical analyses of state fiscal policy (see for example Alt and Lowry 1994; Crain 2003; Knight 2000; Poterba 1997, 1994; Shadbegian 1996). However, this literature has yet to include legislative term limits among the set of fiscal institutions examined. This paper argues that term limits, while not explicitly a fiscal institution, have a similar ability to shape the fiscal behavior of state legislators. Using data from 48 states from 1977 to 2001, this paper finds that states with term limits have lower tax rates and higher expenditure levels than states without term limits. This paper argues that term limits influence state fiscal policy by altering the legislative environment in which policy is formulated. By diffusing power within the legislature and shortening the time horizons of state legislators, term limits create an institutional environment in which new tax legislation is harder to pass and spending more difficult to control.

Since 1990, 21 states have enacted some form of limit on the number of terms their state legislators may serve. Fueled in part by voter anger and cynicism (Karp 1995; Southwell 1995), the term-limits movement has claimed victories in a diverse array of states. States with highly professionalized legislatures, such as California and Michigan, have adopted term limits, as have states with citizen-legislatures, such as Oklahoma and Maine. The provisions of these term limits provisions are not uniform across states; and

vary both in the length and number of terms members may serve, as well as whether or not they impose lifetime bans on service. The first cohort of legislators were forced out of office by term limits in 2 states in 1996 and 3 more states in 1998. In the time period analyzed here, 10 states had term limits in effect.

At first glance, term limits appear to have had a considerable effect on state spending and a negligible effect on state tax rates. As Figure 1 shows, states with term limits have seen the average growth rate of expenditures increase by 53% since the implementation of term limits. In contrast, the growth rate of expenditures per capita in states without term limits increased by only 11.8% during the same time. Average income tax rates before the implementation of term limits were 1.75% in states without term limits and 1.55% in states with term limits. From 1996 to 2001, average income taxes increased to 2.18% in states without term limits and to 2.01% in states with term limits, a relative increase of 25% and 30% respectively.

Studies that estimate the effect of fiscal institutions on economic policy must confront the problem that these institutions are often endogenous. Adoption of budget rules is not random, but instead may reflect the fiscal preferences of state voters. In the case of term limits, voters in states with high spending levels and/or high tax rates may be more likely to adopt term limits in an attempt to impose greater fiscal discipline on their state legislators. However, this paper argues that term limits can be considered an exogenous institution. Table 1 ranks the states based on average income tax rates and expenditures as a share of income from 1990-1994, when a majority of states adopted term limits. If voters are indeed trying to constrain the fiscal behavior of their representatives through term limits, then term-limited states should have higher than

average levels of spending and tax rates during this period. However, it appears that state fiscal policy is uncorrelated with voter support for term limits. Term limits were adopted by voters in both the state with the highest level of expenditures as a share of income (Wyoming), as well as the state with the lowest level of expenditures (Colorado). The same is also true if we examine state income tax rates.

Instead, the strongest determinant of whether or not voters adopt term limits for their representatives is the presence of the initiative process. In every state with the initiative process, except one, voters approved term limits. Similarly, no state without the initiative process currently has term limits for their state representatives. Whether or not a state possesses the initiative process is uncorrelated with the present fiscal preferences of voters in that state (Knight 2000, Matsusaka 1995). Most initiative processes were adopted by states in the early 1990s, well before the start of the sample period in this paper. The one exception is Mississippi, which adopted its initiative process in 1992. Mississippi is also the only state with the initiative process whose voters rejected term limits for their state legislators.

If the presence of the initiative process is the best predictor of whether or not a state will adopt term limits, it is important to ascertain if states with direct democracy procedures differ from other states in their fiscal policy. Previous studies on the relationship between voter initiatives and state fiscal policy present contradictory findings. Zax (1989) examines the effect of voter initiatives on state expenditures in all 50 states for 1980 and finds that states with direct democracy have spending levels significantly higher than states with more representational forms of democracy. However, more recent cross-sectional time series studies by Matsusaka (1995, 2000) and

Matsusaka and McCarty (2001) find that states with voter initiatives have spending levels significantly below those of other states, particularly under a unified Democratic government. More recently, a review of this literature by Besley and Case (2003) casts doubts on the robustness of these findings. Using a between-state estimator they find little evidence that state initiatives lower spending.

Section 2. Term Limits and Careerism

Term limits were viewed by many as a way to impose greater fiscal responsibility on state legislators. Many supporters of term limits see increased government spending as the result of both a moral hazard and an adverse selection problem. Lengthy careers in the state legislature encourage those individuals to run for office who favor a more expansive government (adverse selection) (Bandow 1995; Coyne and Fund 1992; Will 1992) and change the incentives of legislators in office to support higher levels of spending (moral hazard) (Payne 1990).

Term limits are purported to decrease government spending in two ways. First, term limits will remedy the problem of adverse selection by facilitating the election of citizen-legislators. These citizen-legislators are thought to be more likely to favor a limited government and lower levels of government spending (Bandow 1996, Will 1992). Secondly, term limits will put an end to the “culture of spending” that pervades state legislatures (Coyne and Fund 1992; Payne 1992). Proponents of this argument contend that there is a positive relationship between a legislator’s tenure in office and her propensity for higher levels of spending. By precluding lengthy legislative careers, term limits will lower spending levels.

The expected impact of term limits on tax rates is less clear. On the one hand, if term limits do decrease government spending, as supporters contend they will, then there will be less demand for tax revenues. On the other hand, research on political budget cycles suggest that term limits may actually lead to an increase in tax rates (Streb 1999). Legislators subject to term limits will have fewer incentives to manipulate fiscal policy by lowering taxes and raising expenditures before elections in order to increase their chances of being reelected. Studies on the effect of gubernatorial term limits on state taxes have found that term limits on state governors induce a fiscal cycle where tax rates are held below the state's mean during a governor's first term in office yet are significantly higher than the mean during a governor's final term in office (Johnson and Crain 2000; Besley and Case 1995). These fiscal cycles induced by term limits can be attributed to shirking by those politicians ineligible to run for future office (Banks and Sundaram 1993). Incumbents choose fiscal policy strategically in order to maximize their chances of being reelected (Rogoff 1990; Rogoff and Siebert 1988). By keeping taxing and spending levels low throughout their terms, incumbents can develop a reputation for fiscal responsibility, which may translate into more votes on election day. However, under term limits there is no reason for legislators to attempt to maintain this reputation for fiscal responsibility during their final term in office. Since these legislators need no longer fear electoral retribution from voters for unsound fiscal policies they have fewer incentives to keep taxes low.

However, there are several reasons to doubt the validity of these arguments advanced by term-limits supporters. To begin with, empirical research on the U.S. Congress finds little evidence that tenure in office is positively associated with

congressional spending or that legislators not running for reelection spend less than those who are running for reelection (Alvarez and Saving 1997; Moore and Hibbing 1996). While Reed et al (1998) find limited support for the “culture of spending” hypothesis presented above, the size of the effect of tenure on congressional spending is small enough to lead them to conclude that term limits are likely to have a negligible impact on government spending.

Secondly, there is little evidence that a term limits facilitate the election of citizen-legislators. Data on legislative career patterns in California, Colorado, and Maine from 1984 to 2000¹ show that term limits are more likely to encourage state legislators, mayors, and city council members to run for higher office than facilitate the election of political novices. Specifically, term limits increase the number of assembly to senate career moves. As Figure 2 shows, the number of current assembly members running for state senate has increased in all three states after the passage of term limits. For example, in California, current assembly members constituted 6 percent of all two-party challengers in state senate races in 1990 when Proposition 140, California's term limits law, was passed. However, in 1996, when the first cohort of legislators was forced from office, assembly members made up 33 percent of all state senate challengers and by 2000, current assembly members continued to account for over one-third of all state senate challengers. Election data from Colorado shows a similar pattern. In 1990, when Colorado voters adopted term limits, state assembly members made up 19 percent of all

¹ These three states are chosen for analysis because they have had the longest experience with term limits. California and Maine had their first cohort of legislators termed out in 1996, while Colorado's first legislators were termed out in 1998. The data for California consists of the names, occupations, and prior elected offices held for all candidates for the state assembly and state senate. These data were obtained from *California Journal*. The data from Colorado and Maine is more limited, and shows only if candidates for the state senate are current members of the state assembly. These data were obtained from *Annual Register of Maine*, *State of Maine General Election Tabulation*, and *State of Colorado Abstract of Votes Cast*.

state senate challengers. By the time the first cohort of Colorado assembly members were termed out in 1998, current assembly members accounted for 36 percent of all state senate challengers and 48 percent in 2000. Only Maine does not show the same marked increase in the number of assembly to senate career moves. When Maine's term limits law was passed in 1993, 18 percent of all challengers for seats in the senate were current assembly members. By 2000, this number had risen to only 28 percent.

Data on prior occupations of members of the California state assembly elected after the passage of term limits also show that term limits do not increase the number of political novices elected to the state legislature. Instead, as Figure 3 shows, the percentage of mayors, city council members, and city supervisors running for seats in the California assembly increased after the passage of term limits. The number of new members entering the state assembly who have previously held elected office either at the local or state level was 30.8% in 1992 but rose to 71% by 2000.

This increase in the number of assembly to senate career moves is readily explained by considering how term limits alter the opportunity structure facing state legislators. Term limits increase the expected utility associated with running for higher office in two ways. First, by forcing incumbent state senators from office, term limits increase the number of open seat senate races and, consequently, increase a current assembly member's probability of winning a state senate seat (Francis 1993). Secondly, term limits decrease the cost of running for higher office. Prior to term limits, assembly members running for the state senate faced the risk of not only losing their bid for a state senate seat but their assembly seat as well. Since term limits prohibit an assembly member from being reelected, the opportunity cost of running for higher office is reduced. Further, as Garrett (1996) argues, even legislators entering the assembly who

intend to stay in office only a few years, may decide to run for higher office in order to receive a return on their investment of time and effort they have spent developing their campaign organizations and political skills.

Further, arguments that term limits will encourage more responsible fiscal policy fail to consider how term limits change the incentives of individual legislators and alter the legislative environment in which policies are made. As Spiller and Tommasi (2002) argues public policy is the result of a series of “complex intertemporal exchanges among politicians.” Institutions, by shaping the environment in which these exchanges take place and constraining the kind of exchanges that are possible, influence the types of public policy that are produced. By shortening the time horizons of legislators, term limits hinder the ability of the legislative environment to facilitate political exchanges. In particular, term limits make cooperation harder to sustain by decreasing the influence of party leaders and eroding the policy-making ability of legislative committees.

Section 3. Term Limits and Legislative Organization

State legislatures operating under term limits have undergone several important structural changes. Prominent among these changes has been a decrease in the authority of party leaders and committee chairs. This is seen in at least three ways. First, term limits have increased the amount of turnover in key leadership and committee positions and decreased the amount of experience that legislators bring to these posts (Bowser et al 2003, Moen and Palmer 2003). Secondly, term limits have created the unique situation of lame-duck party leaders who are unable to credibly commit to sanctions or rewards for rank-and-file members and, as a result, cannot effectively maintain party discipline

(Carey, Niemi, and Powell 2000; Malbin and Benjamin 1992). Finally, term limits have redefined the role that party leaders and committees play in moving legislation through the policy process. Party leaders under term limits are more likely to use their positions to push for their own legislative agendas instead of those of the party as a whole (Brake 2002). Kousser's (2003) examination of legislative "batting averages"—the proportion of legislation a member proposes that eventually is passed into law—reveals that batting averages for majority party leaders have increased after the passage of term limits but have decreased for rank-and-file members. Committees have seen their gate-keeping authority diminish under term limits due to increased turnover, inexperienced committee chairpersons, and the increased time pressures on legislators to pass their policies before their term expires (Straayer 2003). This lack of authority is evidenced by an increase in the number of floor amendments and the number of divided reports issued by committees (Moen and Palmer 2003; Brake 2002).

These institutional changes have had important consequences for how policy is made in state legislatures with term limits. First, the absence of strong party leaders has resulted in a more decentralized and individualistic legislative process. Term limits have diffused legislative power and eroded the dense social networks based on cooperation and reciprocity which once existed. This diffusion of power has opened up the legislative process, especially the budget process, to a greater number of participants—including other legislators, interest groups, and agency officials (Brake 2002). Secondly, the highly individualistic legislative environment wrought by term limits has caused state legislatures to behave less like collective institutions (Cain 1994; Hobson 1994). Cooperation between legislators can no longer be based on trust and reputation-building

mechanisms due to the shortened time horizons of legislators and the increased levels of turnover and uncertainty about who will be in the legislature in the future. It is harder to fashion the stable majorities necessary to pass legislation in this less collegial and less cooperative environment. Evidence of this lack of coordination and cooperation can be seen in the types of bills introduced. In both Michigan and Maine the number of bills introduced in the House and Senate has increased after term limits, yet the number of bills enacted has decreased in both states (Moen and Palmer 2003; Brake 2002). In part, this is because many of the bills introduced are repeater bills, bill that have been introduced unsuccessfully in previous sessions, or duplicate bills, bill introduced simultaneously by several different legislators. Institutions, such as party caucuses and committees, which previously helped ensure cooperation among members (Cox and McCubbins 1993; Weingast and Marshall 1988), can no longer effectively fill this role under term limits due to their decreased authority.

The main question for this study is how these changes in legislative structure will affect state tax rates and spending levels. By decreasing the incentives for legislators to cooperate and form long-term agreements, I expect term limits to lead to lower tax rates. Research in comparative politics has shown that legislatures, in which political parties are able to form stable bargaining agreements, can extract more tax revenue than legislatures dominated by shifting coalitions of parties (Gould 2001; Steinmo and Tolbert 1998). Similarly, research on state tax rates has found that the greater the number of veto players, the harder it is to pass new tax legislation. No party has been able to pass tax legislation “without literally buying off opposition form representatives interested in protecting their constituents” (Steinmo 1993, 137). Consequently, states with unified

government are more likely to pass new tax legislation than states with divided government (Hansen 1983). Term limits will likely only exacerbate the difficulty of passing tax legislation by diffusing political power throughout the legislature and increasing the number of legislators that must be bought off before tax legislation can pass.

I expect term limits to increase state spending levels by decreasing party and committee control over the appropriations process. The degree to which individual legislators internalize the costs of spending affects the aggregate level of expenditures (Perotti and Knotopoulos 2002; Bradbury and Crain 2001; Gilligan and Matsusaka 1995; Weingast, Shepsle, and Johnson 1981). Tax revenues can be viewed as a common pool from which legislators can finance projects for their own constituents. While each legislator fully internalizes the benefits from such spending, she only bears a fraction of the cost, which is spread out over the entire legislature. Thus, there is a potential for overexploitation of the common pool of tax revenues. Since term limits increase the number of legislators involved in the budget process, they decrease the costs that any one legislator bears from high levels of aggregate spending.

Section 4. Empirical Model

In order to determine the effects of term limits on state fiscal policy, I estimate the following model:

$$EXP_{it} = \alpha_0 + \alpha_1 * LIMIT_{it} + \alpha_2 * BUDGET_{it} + \alpha_3 * TEL_{it} + \alpha_4 * SUPER_{it} + \alpha_5 * DIVIDED_{it} + \alpha_6 * GOV_{it} + \alpha_7 * \epsilon_{it} \quad \text{Eq (1)}$$

$$TAX_{it} = \beta_0 + \beta_1 * LIMIT_{it} + \beta_2 * BUDGET_{it} + \beta_3 * REVLIMIT_{it} + \beta_4 * SUPER_{it} + \beta_5 * DIVIDED_{it} + \beta_6 * GOV_{it} + \beta_7 * \epsilon_{it} \quad \text{Eq (2)}$$

The dependent variable, EXP_{it} , measures general state government expenditures per capita, which includes spending on education, highways, welfare, and interest on

general debt. To compare tax rates across states, this paper uses average tax rates (i.e. tax revenues divided by income) as the dependent variable. The model is run separately for income taxes, general sales taxes, and total taxes (which includes sales taxes, income tax, and corporate taxes). The variable $LIMIT_{it}$ indicates if a state has legislative term limits. In most states there is a substantial amount of time from the passage of legislative term limits to when the first cohort of legislators is barred from running for reelection. $LIMIT_{it}$ is coded 1 beginning with the legislative term before the first class of legislators is termed out of office. Since legislators are forward-looking and should anticipate the effects of term limits before they are actually forced from office, the impact of term limits on state fiscal policy should appear before a legislator's final session. Variables indicating the presence of other fiscal institutions and political factors are also included, such as balanced budget rules ($BUDGET_{it}$), tax and expenditure limits (TEL_{it}), revenue limits ($REVLIMIT_{it}$), supermajority voting requirements for new tax legislation, ($SUPER_{it}$), divided government, and the party affiliation of the governor (GOV_{it}). The vector X_{it} contains variables that control for demographic and economic factors commonly found to be significant in empirical studies of state fiscal policy. These variables include state income per capita, the unemployment rate, region, and population.

This paper examines data from 1977 to 2001; and includes all 48 contiguous states except Nebraska, which has a unicameral legislature. Data were obtained from the *Statistical Abstracts of the United States*, *State Government Tax Collections*, and the *Book of the States*. The models are estimated using feasible generalized least squares, correcting for cross-panel correlation and heteroskedasticity as well as first order

autocorrelation. State and year dummy variables are also included but are not reported in the final results. All variables are reported in 2001 dollars.

Section 5. Results

Tables 2 and 3 present the results from estimating the above equations. The results show that the presence of term limits is associated with higher spending levels and lower tax rates. States with term limits have spending levels, on average, \$53 or 1.9% greater relative to the mean, than states without term limits. Term limits are also associated with lower tax rates. In states with term limits, income taxes are 4.8% lower, sales taxes are 3.1% lower, and total tax rates are 2.8% lower relative to the mean than in states without term limits. The coefficient on $LIMIT_{it}$ is significant at the 1% level when total taxes and sales taxes is used as the dependent variable, and is significant at the 5% level when income taxes is the dependent variable. There are a few possible explanations for the finding that term limits lower income tax rates more so than sales taxes or total taxes. Sales taxes are essentially hidden taxes in that they are spread out in small increments over time and paid for by taxpayers who are rarely aware of their yearly sales tax burden (Brumori 2001). In contrast, the income tax is a highly visible tax paid out yearly in one lump sum. Given the choice of raising sales taxes or income taxes, legislators are more likely to increase the less visible tax. Further, there is no political advantage to decreasing largely unnoticed taxes such as the sales tax. Since this paper argues that tax bills are harder to pass under term limits, it is reasonable that legislators would turn to the sales tax—which carries a lower political risk—in order to raise revenues rather than the income tax. Similarly, if term limits decrease tax rates by

encouraging legislators to cut taxes, then income taxes would be a more likely choice to reduce than sales taxes.

The other fiscal institutions examined also exert a considerable influence on state fiscal policy. States with strict balanced budget rules, that require the legislature to pass a balanced budget and prohibit debt from being carried over into the next fiscal year, spend on average 7.4% percent less than states with less stringent balanced budget rules. States with supermajority voting requirements for new tax legislation also have lower spending levels. States with such requirements spend on average \$75, or 2.7%, less than states without such requirements. Tax and expenditure limits (TEs) are also associated with lower levels of spending, however their effect is dependent on a state income levels. In states where income is equal to the mean, TEs lower spending by \$22, or .8% relative to the mean. However, in a state with an income per capita one standard deviation above the mean, a TEL increases spending by \$53, or 1.9%. TEs exert the greatest influence on state spending in states with below-average levels of income. In a state with an income per capita one standard deviation below the mean, the presence of a TEL decreases spending by \$97, or 3.5%.

The tax model yields similar results. States with strict balanced budget requirements have income tax rates 2.9 percent lower and total tax rates 2.3 percent lower relative to the median. When sales tax rates are used as the dependent variable the coefficient on $BUDGET_{it}$ is positive, but not significant. Supermajority requirements for new tax legislation are also associated with lower tax rates. Sales tax rates are 1.3% lower, total tax rates are 3.7% lower, and income tax rates are 10.1% lower in states with supermajority requirements compared to states without such provisions. These results are

significant in all three models at the 1% level. The analysis finds revenue limits to have a significant effect only on income tax rates. States with revenue limits have income tax rates 3.4% lower than states without such limits. These results are consistent with those found by other studies (Crain 2003; Knight 2000; Shadbegian 1996; Poterba 1994).

The relationship between party control and state fiscal policy is less clear. In the tax models, the presence of divided government is not statistically significant. However, re-estimating these models with a variable for unified party control of the legislature, yields significant results. For total taxes and income tax rates, states in which the Republican party controls both houses of the legislature have lower tax rates, while state legislatures controlled by Democrats are associated with higher tax rates. However, when the sales tax rate is the dependent variable, the signs on the coefficients for DEM_{it} and REP_{it} are reversed and not significant. Having a Democratic governor is associated with higher income tax rates, but appears to have no effect on total tax rates or sales tax rates. In the spending model, the presence of a Democratic governor raises per capita expenditures by \$27.5. Similarly the presence of divided government increases expenditures by \$26.8, approximately 1%.

Section 6. Conclusion

The results in this paper support the claim that term limits alter the fiscal behavior of state legislatures. States with term limits have higher expenditure levels and lower tax rates than states without term limits. This paper also provides further evidence for the claim made in Poterba (1997) that “fiscal institutions do matter” (81). Strict balanced budget rules, tax and expenditure limits, revenue limits, and supermajority requirements

for new tax legislation are all found to decrease state spending and tax rates. Political factors are another important determinant of fiscal behavior: divided government is associated with increased spending levels, while Republican control of both houses of the legislature leads to lower tax rates.

Although this paper has demonstrated that the presence of term limits has a significant impact on fiscal policy, this paper has not established the reason for this finding. While this paper has presented some evidence that suggests that the changes in legislative structure brought about by term limits may be responsible, this hypothesis is not directly tested here. However, if term limits do indeed affect fiscal policy by decreasing the power of committees and party leaders, then term limits should have a greater effect on fiscal policy in states where legislators rely more heavily on these institutions when formulating policy. The number of standing committees should be positively associated with higher spending levels and lower tax rates. Highly professionalized state legislatures should be more affected by term limits than less professionalized legislatures. New tax legislation should be harder to pass in state legislatures with many members.

Finally, this paper illustrates the fact that institutional changes often have unintended and unforeseen consequences. Term limits were viewed by many as a way to impose greater fiscal discipline on state legislatures by facilitating the election of citizen-legislators, who were thought to favor a more limited government (Bandow 1995; Coyne and Fund 1992; Will 1992). Instead, it seems that term limits have had the opposite effect.

Table 1: Average Tax Rates and Spending Levels in Term-Limited States, 1990-1994.

State	Year Enacted	Expenditures as a Share of Income (1990-1994)	Rank	Income Tax Rates (1990-1994)	Rank
Arizona	1992	11.6	27	1.78	31
Arkansas	1992	12.6	19	2.18	23
California	1990	11.7	26	2.46	15
Colorado	1990	8.9	47	2.16	25
Florida	1992	8.9	45	0	47
Idaho*	1994	12.1	23	2.75	9
Louisiana	1995	14.4	7	1.19	37
Maine	1993	14	9	2.63	10
Massachusetts*	1994	12.4	20	3.57	2
Michigan	1992	11.3	30	2.22	21
Missouri	1992	9.1	42	1.9	36
Montana	1992	14.8	6	2.25	19
Nevada	1996	9.5	39	0	47
Ohio	1992	10.6	33	.20	39
Oklahoma	1990	11.9	24	2.16	24
Oregon*	1992	11.6	28	3.74	1
South Dakota	1992	11.8	25	0	47
Washington*	1992	12.7	18	0	47
Wyoming	1992	18.2	1	0	47
Average		12.1		1.81	

* Indicates that term limits have since been repealed either by the state legislature or the state supreme court.

Sample includes all 48 contiguous states, except Nebraska.

Table 2: Effects of Term Limits on Expenditures Per Capita, 1977-2001.

	Exp. Per Capita
Term Limits	53.4 (25.3)**
Balanced Budget	-207 (67.7)***
Supermajority requirements	-75.6 (19.2)***
Tax and Expenditure Limits	-435 (123)***
TEL*INC	.017 (.004)***
Divided government	26.9 (7.53)***
Governor (1=Democrat)	27.5 (9.3)***
Income	.04 (.006)***
Population	-.00008 (.000007)***
Unemployment rate	12.5 (3.17)***
Year dummy variables	Yes
State dummy variables	Yes
Wald chi-squared	157670***
Total panel observations	1175

Table 3: Effects of Term Limits on State Tax Rates, 1977-2001.

	(1) Total taxes	(2) Sales taxes	(3) Income taxes
Term Limits	-.152 (.045)***	-.100 (.03)***	-.088 (.043)**
Balanced Budget	-.122 (.034)***	.014 (.022)	-.053 (.03)*
Supermajority requirements	-.200 (.037)***	-.044 (.023)*	-.183 (.026)***
Revenue limits	.008 (.043)	.0007 (.016)	-.061 (.029)**
Unified Republican control	-.111 (.020)***	.01 (.009)	-.047 (.011)***
Unified Democratic control	.034 (.020)*	-.051 (.009)	.048 (.012)***
Governor	-.019 (.014)	.022 (.006)***	-.012 (.009)
Region	1.01 (.02)***	.783 (.018)***	1.00 (.019)***
Income	.00005 (.000005)***	-.00004 (.000005)***	.000001 (.000004)
Population	.0000002 (.00000001)***	.00000003 (.00000001)***	.0000001 (.000000007)***
Unemployment rate	-.022 (.005)***	-.005 (.003)*	-.006 (.003)*
Year dummy variables	Yes	Yes	Yes
State dummy variables	Yes	Yes	Yes
Wald chi-squared	35913***	40457***	33760***
Total panel observations	1175	1175	1175

Figure 1: Average Growth Rate of Expenditures per Capita in Term and Non-Term Limited States

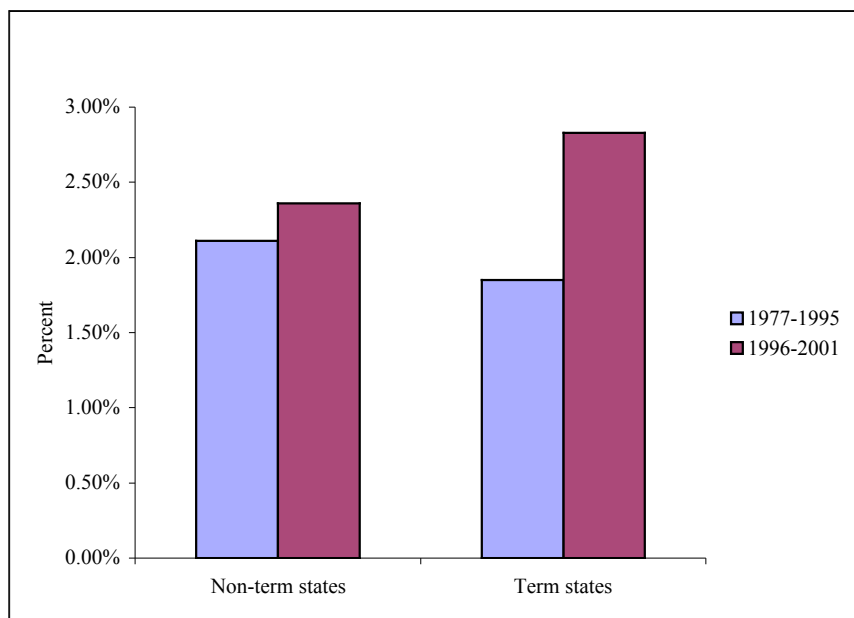


Figure 2: Assembly to Senate Career Moves, 1990-2000

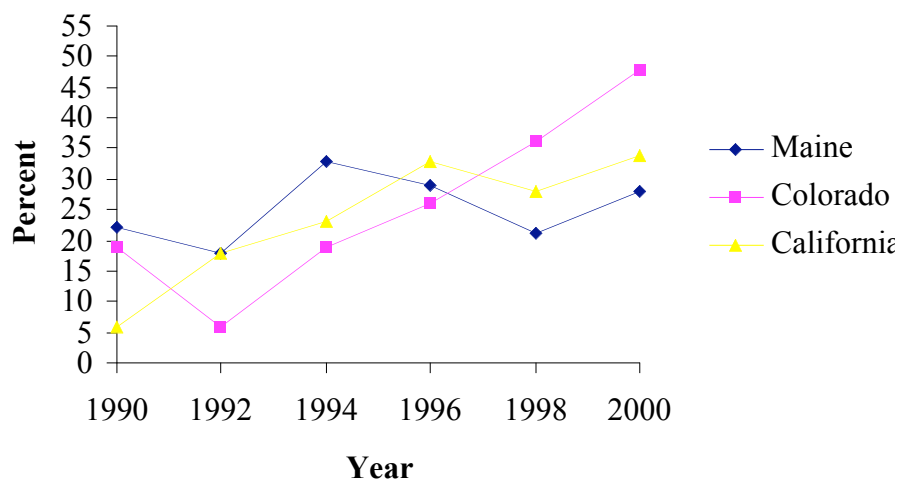
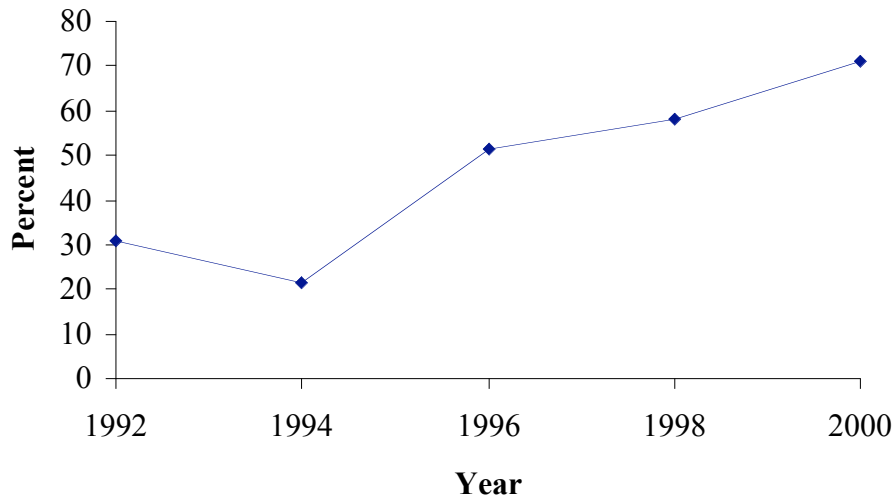


Figure 3: Assembly Members Who Have Previously Held Elected Office



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