Dynamic Fiscal Limits on Local Governments

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Abstract

Most states limit the ability of local governments to set taxes without first asking the voters for approval. State laws defined the limits at their introduction and set rules under which they evolve from year to year. This paper summarizes current evolution policies in the United States and considers how these rules affect whether limits are able to keep taxes in line with voters' preferences. I develop a model of a voter and an official who interact to set the level of tax revenue. The official, who prefers higher spending than the voter, has agenda-setting power and can propose a take-it-or-leave-it referendum to the voter. The limit evolves according to the most common rule in practice among the states, where next year's limit is equal to this year's policy choice. I show that in this dynamic setting, the official can achieve higher levels of spending than in the static case by credibly threatening to set taxes lower than the voter prefers. The limit is therefore less effective in constraining the official. This occurs only when the official cares sufficiently about the future, suggesting a benefit to voters of having officials who are biased towards the present.

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1 Introduction

Local government officials are not typically allowed to levy taxes on their residents as they see fit. Instead, state law limits their taxing power. To exceed their unilateral authority they must ask the voters to approve taxes in an override referendum. These limits to a great extent determine the budgets of local governments in the United States. While the details vary by state, local budgets are often set at the maximum allowed by their limits and local budgeting amounts to deciding when to propose overrides via public referenda. For example, in Massachusetts between 2000 and 2016, governments set taxes at the maximum they were allowed to 70% of the time, and in Wisconsin, 70% of municipalities did so between 2015 and 2016.

Among the three prominent types of tax limits on local governments, *levy limits* are often considered the most effective at constraining taxes (Brosy and Langley, 2025; Walczak, 2024). This is because they encourage steady property tax revenue.[1] Levy limits typically cover budgets for current expenditures funded primarily through the property tax and are intended to restrain local governments from increasing taxes beyond what their constituents desire. Under most levy limits, officials can exceed the limit by making a proposal which is accepted by voters in a tax referendum. This process gives the official agenda-setting power.

Rather than bespoke limits individually tailored for each local government, rules set by state laws and state constitutions govern how levy limits operate in all local governments. Typically, the levy limit was set at the level of current spending for each government at the time of its creation and then has evolved from year to year based on rules set at the state level. This evolution depends on the previous year's limit, policy decisions, and referenda results. In most cases, they are based on the prior year's *policy choice* but in some cases they are based on the prior year's *limit*. Several more recently adopted levy limits take a hybrid approach.

Since the new limit in the following year depends on the decisions in the past, rules governing the evolution of limits alter the incentives of the voter and official. This paper studies how the dynamic evolution of tax limits affects their ability to restrain local governments.

I first catalog the rules that govern the evolution of limits in the twenty-one states that have

[1] In contrast, *rate limits* can result in sticky property tax rates but revenues that fluctuate with changes in the local housing market. The third common type, *assessment limits* redistribute tax burdens but do not directly constrain their total size.

levy limits with voter overrides. This reveals heterogeneity in a previously unexamined policy detail. Levy limits differ in what determines the next year's limit. The most common structure is a levy limit that evolves based on the policy chosen each year and allows a voter approved override, which is employed by thirteen states in which a quarter of the United States population resides.

I then develop a model that describes the voter's interaction with a bureaucrat to set the level of tax revenue, subject to the most common type of levy limit. The bureaucrat prefers higher spending than the voter but is constrained by a limit. They may set spending freely under that limit, or propose a level above that limit through an 'override'. In that case, the voter decides whether to approve this override. If they do not, the bureaucrat must stay within the limit that year. The following year's limit is equal to this year's revenue choice, whether that is within the current limit or the result of a successful override. Despite the presence of two value functions, I establish existence and characterize the solution analytically.

In the standard static model of fiscal limits, an agenda-setting official constrained by a levy limit sets policy at the limit when the voter prefers a lower level, and proposes an override at a higher level that leaves the voter indifferent when the voter prefers a level above the limit (Romer and Rosenthal, 1978, 1979). This equilibrium relies on the absence of intertemporal consequences of current policy choices.

Introducing a dynamic setting fundamentally alters this logic and allows the official to extract higher funding than would be possible under the static benchmark, when the official places sufficient weight on future payoffs. In this equilibrium, the voter approves overrides that exceed the levy limit even when the limit already exceeds the voter's preferred tax level. The official achieves this by credibly threatening that, if an override is rejected, they will set spending below the limit, thereby lowering the limit in the subsequent period and expanding their future agenda-setting power. In equilibrium this threat is never carried out; instead, the voter approves higher taxes. As a result, the dynamic structure of levy limits makes them less effective at constraining taxation.

An equilibrium equivalent to the static benchmark can only be sustained in the dynamic model when the official's discount factor is no greater than one half. This result suggests that voters may benefit from officials who are biased toward the present. When officials do not heavily discount the future, they can exploit the dynamic evolution of fiscal limits to extract higher future spending. This stands in contrast to political economy models in which electoral incentives induce politicians to be excessively present-biased and to accumulate debt beyond what is optimal for their constituents (Alesina and Tabellini, 1990; Persson and Svensson, 1989). The official's discount factor can be interpreted as an effective discount factor that combines the official's intrinsic patience with the probability of political survival, which could be influenced by policies including term limits (Besley and Case, 1995). It may also vary with whether politicians are primarily office-seeking versus policy-motivated (Osborne and Slivinski, 1996; Besley and Coate, 1997).

I next show that, somewhat counterintuitively, voter welfare is maximized by an initial limit that exceeds the voter's preferred tax level. Without a limit, the bureaucrat would set taxes at their preferred level each year. Even in the dynamic setting, a limit can restrain taxation and improve voter welfare, but the extent of this restraint depends on how the limit is initially set. Setting the limit above the voter's preferred level reduces the official's incentive to exploit dynamic considerations: extracting higher future taxes would require the official to set current policy far below the limit, which is costly in the short run.

This work builds upon a large literature beginning with Romer and Rosenthal (1978) that studies an agenda setter and a veto player, and which has been extended to dynamic settings. The prior literature has assumed that after a failed referendum the official would set the policy at the limit. This assumption originates with Romer and Rosenthal (1978) which states, "The rule determining the status quo or fall-back position is generally specified by law, and is not subject to the setter's control." Subsequent work follows this when extending it to dynamic settings in which the fallback option is endogenous. For example, Diermeier and Fong (2011) assumes that the fall-back option is the previous year's policy choice. In practice, this is not required. In this paper's model, the official can set the policy at any level below the limit. This is important because it allows the official to credibly threaten to set the policy at a level that is lower than the limit. This threat is credible when the official cares enough about the future to be willing to pay the short term cost of lower spending and allows the official to extract higher levels of spending.

Many authors have extended the Romer and Rosenthal (1978) work to dynamic and uncertain settings. Recent works have explored sequential decision-making processes and their implications for policy outcomes. Chen (2023) investigates strategic and informative voting in sequential agenda setting, highlighting how voters' preferences and information can shape policy decisions over time.

Ali et al. (2023) focus on sequential veto bargaining with incomplete information, demonstrating how uncertainty and strategic interactions influence the bargaining process. Rosenthal and Zame (2022) analyze sequential referenda with sophisticated voters, emphasizing the role of voter sophistication in determining the outcomes of sequential referenda. Building on these insights–and on a broader literature examining the efficacy of fiscal limits in constraining borrowing (see Yared (2019))– this paper examines how the dynamic nature of the limits affects local governments' ability to align tax policies with voters' preferences.

This paper is most closely related to Barseghyan and Coate (2014) in that both their work and this paper considers agenda setting in a dynamic context where the dynamics are caused by a durable public good. My setting differs in two important ways. First, I have a consumable public good with an endogenous limit, which differs from the endogenous reversion level they study as the bureaucrat has some freedom within the limit rather than being constrained to a particular level absent a successful override. Our model is realistic for most states setting local budgets for current expenditures (rather than capital investments that they study) under a levy limit. They show that in their context there is an equilibrium that follows the static equilibrium in many situations. In our context, that is only true with very high discounting of the future.

The empirical literature that studies the effects of local fiscal limits finds mixed results on a variety of outcomes. These studies have examined fiscal outcomes such as government spending, revenue generation, and the use of alternative revenue sources like user fees. For instance, Figlio and Rueben (2001) and Poterba and Rueben (1995) investigate the impact of fiscal limits on local government spending and revenue patterns. Dye and McGuire (1997) and Rose (2010) explore how these limits influence the allocation of resources and the efficiency of local governments. Collectively, these works find large effects of fiscal limits on local governments. However, Eliason and Lutz (2018) find that one of the strictest limits has not altered the fiscal trajectory of Colorado relative to its peer states. They argue that the creation of the limit may reflect the pre-existing preferences of voters which even in the absence of the limit would have resulted in similar fiscal outcomes. This paper suggests an additional explanation, that the design of limits may limit their ability to constrain spending.

The paper is structured as follows. Section 2 describes the structure of levy limits in the United States. Section 3 presents the model and results. Section 4 concludes.

2 Property Tax Limits

There are three common categories of tax limits that apply to taxes levied by local governments, levy limits, rate limits, and assessment limits. These limits, which are governed by state law or in some cases state constitutions, govern the property taxes local governments can levy, but may also apply to other types of revenue sources. Nearly all states have at least one of these policies in effect. Proponents of these limits typically argue that they will help restrain local government expenditures to benefit the local taxpayers.[2] This section discusses levy limits, the focus of the paper, in detail, and then briefly compares them to the two other common types of limits.

2.1 Levy Limits

Levy limits restrict the total amount of revenue that a local government can collect from property taxes. Each year, the government is allowed to generate a maximum dollar amount in property taxes, which is determined by the levy limit. The property tax rate is determined by the rate necessary to generate the selected amount of revenue. In most cases, levy limits include provisions that allow for voter overrides that allow the government to exceed the limits if the voters approve a referendum.[3] This mechanism is intended to ensure that any significant increase in property taxes has the support of the community. However, it also bestows agenda-setting power on the government officials. The officials propose a level of taxation that is a take-it-or-leave-it offer to the voters. The voters can approve or reject it. If it is rejected, then taxes must be set within the limit. In most cases, overrides permanently increase levy limits. Thus, passing an override has long-lasting effects on the taxing authority of the government. However, in some states overrides expire after a set time period or governments can elect a length (or choose between a set expiration and permanent overrides). The combination of a levy limit with a permanent voter override procedure, the most common type of levy limit, is the focus of this paper.[4]

[2]Other potential motivations for limits have been explored in the literature including their insurance value (Anderson, 2006) and their value to people living outside the jurisdiction (Vigdor, 2004).

[3]Two states, South Dakota and Kentucky have an alternative override structure, where levies that exceed the limit are subject to a recall petition which, if successful, results in a referendum. In Figure 1, these are counted as voter overrides.

[4]States that have levy limits but do not allow for overrides via referendum either have relatively lenient limits without any way to override, them, have a procedure for the local government to petition the state government for an exemption, allow the local government to exceed the limit in cases of emergency, or allow the local government to exceed the limit if it is approved by a supermajority of the local governing body.

At their inception, state laws determined initial levy limits for local governments and how they would evolve from year to year. Initial limits were typically the current level of taxation in each jurisdiction. Most levy limits update annually to new levels according to one of two major categories of rules, while some states using a hybrid approach. In one type of rule, the limit for the next year depends on the policy choice made in the current year. The levy limit for the next year is equal to this year's chosen levy plus an adjustment amount. Thus, $\ell_{t+1} = t_t(1 + a_{t+1})$, where ℓ_t is the levy limit in year t, t_t is the actual levy in year t and a_t is an allowed growth rate for year t. In the other type of rule, the limit for the next year is a function of the limit from the current year. The levy limit for the next year is equal to this year's limit plus an adjustment amount. Thus, $\ell_{t+1} = \ell_t(1 + a_{t+1})$.

Several states have hybrid approaches where the limit depends on both past policy choices and the limits. While these are not common, they are more prevalent among recently adopted limits. The most common hybrid approach is that the limit for the subsequent year is equal to this year's policy choice, plus a limited carryover of excess room under the limit. While variations exist, there are two types of carryover limitations used by multiple states. First, some states limit the total amount of the carryover to a set percentage of the total levy. Thus, $\ell_{t+1} = t_t(1 + a_{t+1}) + \min(c * t_t, \ell_t - t_t)$, where c is the carryover cap. For example, in New York, the limit for the next year is equal to this year's policy choice plus the difference between this year's limit and levy, limited to 1.5% of the total levy. Second, some other states limit the number of years that a carryover can persist. As a result, next year's limit depends not just on this year's limit and policy choice, but also on the policy choices of the past. For example, Texas's levy limit, which was revised in 2024, is equal to the previous year's levy (plus an allowable growth rate) plus any excess room under the limit from the prior three years, but where excess room is calculated ignoring any carryover from previous years. When the allowed growth rate is constant (denoted a), this system can be described as $\ell_{t+1} = (1 + a)t_t + \sum_{k=0}^{T-1}((1 + a)t_{t-k-1} - t_{t-k})$, where T is the number of years that excess room can be carried over. This simplifies to $\ell_{t+1} = a\sum_{k=0}^{T} t_{t-k} + t_{t-T}$. While these hybrid approaches are an exciting area for further research, this paper focuses on the most common policy.

Twenty-nine states have levy limits that the local governing body cannot exceed with their own

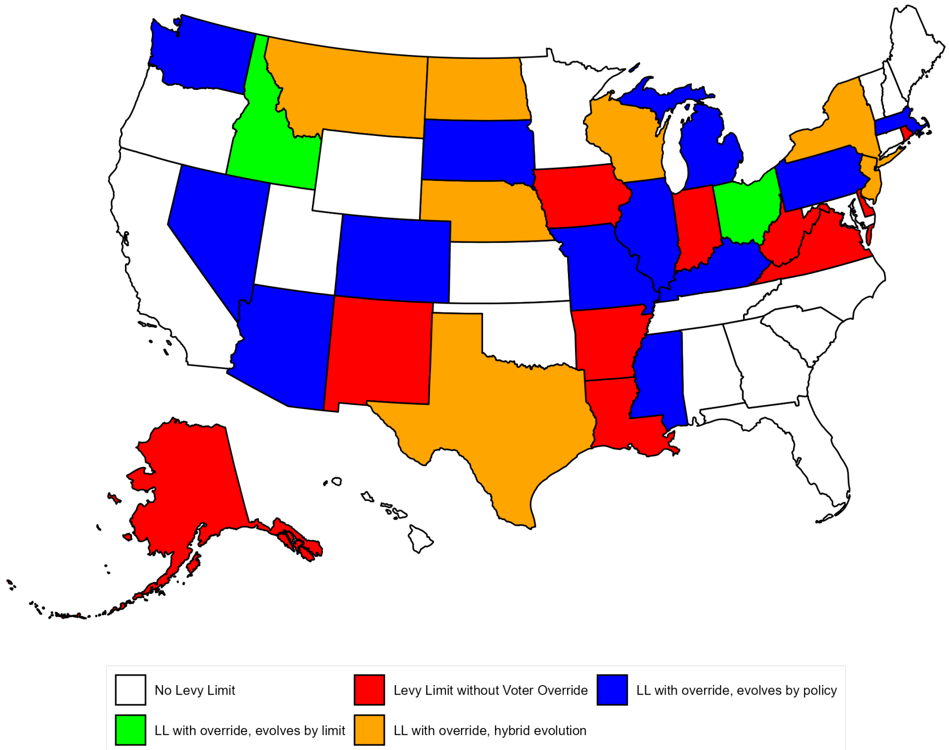


Figure 1: Map of Levy Limit Policies by State

Note: The map shows the number of states with each type of levy limit policy. Sources include Lincoln Institute of Land Policy (2023), and various state sources. See Appendix B for details

powers alone.[5] Twenty-one of these states have voter overrides and hence fit the description above. Figure 1 shows the number of states with each type of limit. Of the states with voter overrides: thirteen states have limits where the limit follows the prior year's policy choice; three states have limits that follow the prior year's limit; and the remaining five states have hybrid limits that depend on both the prior year's limit and policy choice, via a limited carry-over procedure.

All of these evolution policies can accommodate some form of allowable growth rate, which takes two forms: a growth rate common to all local governments and increases specific to each local government. While some states do not allow any common growth in the levy limit, those that do either use a fixed percentage increase or tie the growth to an economic indicator. Fixed percentage increases range from 1% to 12%. Other states allow growth based on an economic measure, most commonly inflation, typically measured by the Consumer Price Index (CPI).[6] Many states cap the

[5]This excludes limits where the local governing body can exceed the limits through their own actions alone, typically via a sufficiently large supermajority. This explains the difference between this count and that in (Paquin, 2024).

[6]A few states use measures based on state and local government expenditures or based on statewide income growth.

growth allowed due to the economic indicator.

Some states allow local governments' limits to increase based on their individual circumstances either instead of or in addition to common factors. The most common type of additional growth is for new construction. In many states, the levy limit is allowed to grow by the amount of revenue that would be generated by new construction at the prior year's tax rate. Limit increases to accommodate additional growth due to annexations or other boundary changes are also common. A few states allow for additional growth due to changes in state law or court decisions that require additional spending. These idiosyncratic increases are either in addition to the common growth rate or the total growth in the levy limit for a government is the greater of the two.

2.2 Other Limits

Two other common property tax limits deserve mention but do not fit the analysis in this paper. In this section, I describe how they differ from levy limits and why that precludes them from this analysis.

Rate limits limit the property tax rate rather than the amount of revenue received. As a result, when property values increase, the amount of revenue officials are allowed to generate increases. In some ways they are similar to levy limits. Each year, there is an amount of revenue that the government can generate, its property tax base times its rate limit, and to exceed that they would need to propose an override. However, they differ in the evolution of the limit. The limit next year is equal to this year's chosen rate times next year's property tax base. Since property values may evolve in a way that is not strongly correlated with revenue needs, rate limits may not follow the needs of local governments.

Assessment limits redistribute tax burdens, by limiting the growth in the assessed values of individual properties absent a sale, but do not directly limit tax revenues. Relative to what would occur if properties were assessed at market values, they put a larger tax burden on properties whose value has increased less since they were last sold relative to those whose values have increased more. Under many assessment limits, properties are reassessed at market value upon their sale and so these policies typically put a heavier tax burden on recently sold properties relative to those whose ownership has remained unchanged. States with stringent assessment limits, like California's Proposition 13, typically accompany them with rate limits. Since they do not directly limit taxes, assessment limits alone do not have the structure common to both levy and rate limits that there is a set amount of revenue that would be allowed without an override. Assessment limits do not typically contain override policies, although they are often paired with limits which do.

3 Model

Both the voter and official have desired levels of spending and their per period payoff depends on the distance between the realized policy and their preferred level. The voter has a desired level of spending τ and each period experiences a payoff $v(t)$ where t is the realized level of spending. $v(t)$ is maximized when $t = \tau$. The official prefers higher spending than the voter and b, which exceeds zero, represents the extent of their disagreement with the voter. They experience a payoff of $u(t)$ each period, where $u(t)$ is maximized when $t = \tau(1+b)$. I assume that both $v(t)$ and $u(t)$ are increasing in t below their maximum, decreasing in t above their maximum and are symmetric around their maximum such that $v(\tau - a) = v(\tau + a)$ and $u(\tau(1+b) - a) = u(\tau(1+b) + a)$. In addition, I assume both v and u functions are strictly concave everywhere. The official and voter both discount future payoffs but may do so at different rates, with their discount factors represented by β_O and β_V respectively.

Each period the official proposes a level of spending. If it is not greater than the current limit ℓ, it is adopted. If it is greater than ℓ, it goes to an override referendum. The voter votes for it or against it. If it prevails, it is adopted. If it fails, the official must choose a level of spending for that period that is no greater than ℓ. The limit in the next period, ℓ' is equal to the spending adopted this period, t.[7]

I look for a Markov perfect equilibrium where the actors' strategies just depend on the current limit ℓ. Let t denote the policy outcome and let $W(\ell)$ and $V(\ell)$ denote the official and voter's value functions respectively. I define $\underline{t}$ as a level of spending that the official would be willing to adopt after a failed referendum. Then an equilibrium consists of value functions W, V, and a $\underline{t}(\ell) \in \underline{T}(\ell)$ such that

$$\underline{T}(\ell) = \arg\max_{\hat{t} \leq \ell} \{u(\hat{t}) + \beta_O W(\hat{t})\} \tag{1}$$

[7]The model also applies to situations like those described in Section 2.1 where the limit allows some growth, $\ell' = \ell(1+a)$ if τ also grows at the same rate, e.g. $\tau' = \tau(1+a)$.

and

$$W(\ell) = \max_{t} \quad \{u(t) + \beta_O W(t)\}$$
$$s.t. \quad v(t) + \beta_V V(t) \geq v(\underline{t}(\ell)) + \beta_V V(\underline{t}(\ell)). \tag{2}$$

Equation 1 defines the spending level(s) that the official would set following a failed override referendum when the limit is ℓ. Equation 2 defines the official's problem of selecting a level of spending t given the limit ℓ. The constraint requires that the voter would approve the override if necessary – that the spending level selected is at least as good for the voter as the one that the official would set the policy at following a failed override. When the official chooses a level of spending that is no more than the limit, in which case $t = \underline{t}(\ell) \leq \ell$, the constraint is trivially satisfied. I denote $t(\ell)$ as the value of t that solves the problem when the limit is ℓ.

3.1 Romer-Rosenthal Equilibrium

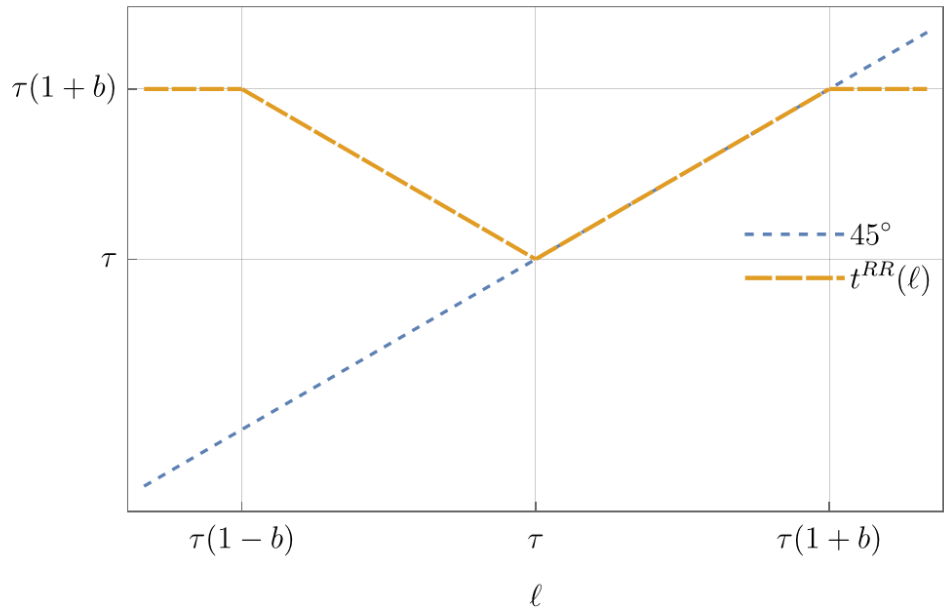
First, I consider when it is possible for the typical static agenda-setter result to extend to the dynamic context. I show that the equivalent of a static Romer-Rosenthal (RR) equilibrium can only exist in situations in which the official heavily discounts future payoffs.

In a static RR model, when the level of spending preferred by the voter exceeds the limit, the official proposes a level that exceeds the voter's preferred level such that the voter is indifferent between it and spending at the limit in that period. This equilibrium is sustained because the voter realizes that were the voter to reject the proposal, the official would set spending at the limit. In standard R-R models the official is a budget maximizer while ours is not, so in the equivalent equilibrium in this model, the official will propose their optimum when possible and the resulting policy function is

$$t^{RR}(\ell) = \begin{cases} \tau(1+b) & \text{if } \ell \leq \tau(1-b) \\ 2\tau - \ell & \text{if } \tau(1-b) < \ell \leq \tau \\ \ell & \text{if } \tau < \ell < \tau(1+b) \\ \tau(1+b) & \text{if } \tau(1+b) \leq \ell \end{cases} \tag{3}$$

Figure 2 describes the RR equilibrium in the context of this model. The orange dashed line shows the equilibrium policy, $t^{RR}(\ell)$. When ℓ is less than $\tau(1-b)$ or greater than $\tau(1+b)$, the official

Figure 2: Romer-Rosenthal Equilibrium Policy



Note: The limit ℓ is shown on the horizontal axis. $t(\ell)$, the orange dashed line represents the equilibrium policy function.

achieves their preferred policy. The greatest policy the voter will approve in an override is the value that makes the voter just as well off as they are under the limit, which, since v is symmetric, is $2\tau - \ell$. The equilibrium policy follows this expression when ℓ is greater than $\tau(1-b)$ and no more than τ. When the limit is greater than τ, the equilibrium policy is equal to the limit, since the voter prefers the limit to anything higher and hence will not approve an override.

Proposition 1. *When $\ell' = t$, an equilibrium that follows the static Romer-Rosenthal Equilibrium in which the policy function follows Equation 3 exists only if $\beta_O \leq 1/2$.*

Proof: See Appendix A.1

Proposition 1 states that the static R-R equilibrium only exists in the dynamic setting when the official discounts future years so much that they value this year's policy choice more than the sum of all future years. When this condition does not hold the R-R equilibrium breaks down. If the official believes the policy function follows the R-R equilibrium, when β_O exceeds 0.5, they would prefer to set spending below the limit rather than at the limit following a failed referendum. Doing so would generate a lower limit for the following year which will result in the voter being willing to approve a larger override the following year. Since the voter knows this they would be willing to approve an override at a higher level than in the R-R equilibrium.

3.2 Dynamic Equilibrium

Next, I show that even when the R-R equilibrium does not hold, there is an equilibrium. This equilibrium is characterized by higher spending in many situations than exists under the R-R equilibrium. The official can even extract overrides from the voter when the limit exceeds the voter's optimal level. The high level of spending is sustained because the official can credibly threaten to choose levels of spending that are less than the limit in the event that their override proposal were rejected.

Proposition 2. *When β_O exceeds $1/2$, there exists an equilibrium in which $t(\ell)$ is no less than that under the R-R equilibrium and exceeds it for at least some ℓ.*

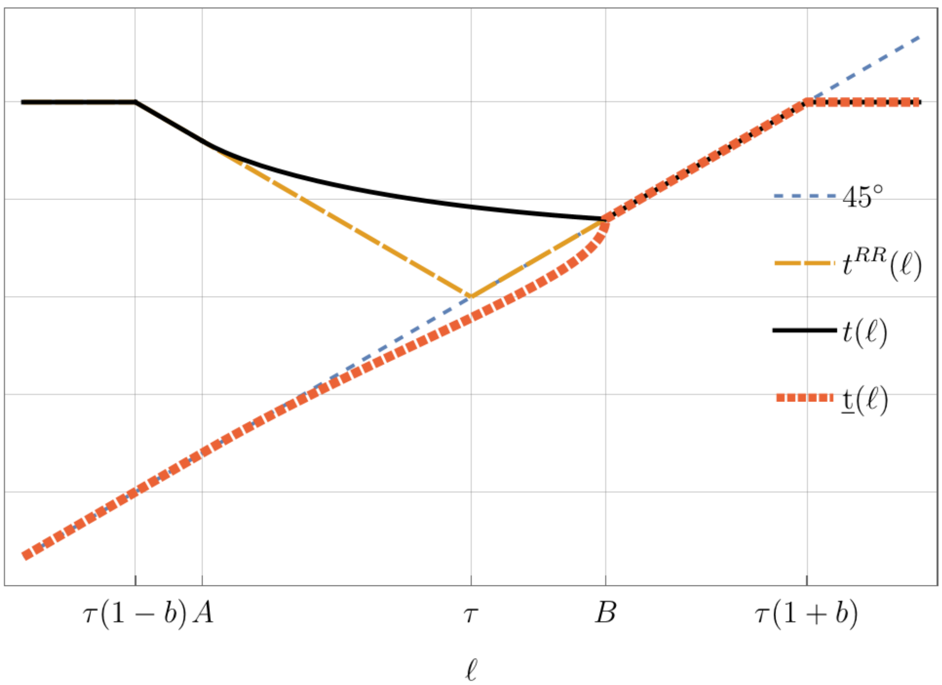
Proof: See Appendix A.2

The proof proceeds by implicitly defining a $t(\ell)$ function. It then shows that given this policy function, there exists an $\underline{t}(\ell)$ function such that, were the official to credibly threaten to adopt it after a failed override, the voter would be indifferent between it and approving an override for $t(\ell)$. Next, it shows that, given the equilibrium $t(\ell)$ function, the official is willing to choose this $\underline{t}(\ell)$ after a failed referendum when the limit is ℓ. Lastly, it shows that the official prefers $t(\ell)$ to any other level that the voter would be willing to approve in an override.

Figure 3 describes this equilibrium for a case with quadratic difference preferences. The limit, ℓ, is shown on the horizontal axis. The solid black line describes the equilibrium spending policy that will be adopted for any possible limit. The thick orange dashed line describes the policy that the official would adopt after a failed referendum, $\underline{t}(\ell)$. For some values of ℓ, the dynamic equilibrium policy exceeds the static RR equilibrium policy. This occurs in the range denoted as $[A, B]$.

The official is able to achieve policy outcomes that exceed those in the R-R equilibrium because they are able to threaten policies below the limit were their override proposal to be rejected. When $t(\ell)$ exceeds t^{RR}, $\underline{t}(\ell)$ is less than ℓ. The official is able to threaten a policy below the limit even though in the short term they prefer the policy to be set at the limit because it will enable them to get larger policies in the future. The equilibrium is sustained because, after a failed referendum, the official is indifferent between all policy levels in the range $[A, B]$. This is because, the higher

Figure 3: Dynamic Equilibrium Policy



Note: The limit ℓ is shown on the horizontal axis. $t(\ell)$, the black line represents the dynamic equilibrium policy function. $\underline{t}(\ell)$, the thick dashed orange dashed line represents the policy choice that the official would adopt after a failed referendum if the limit were ℓ.

their policy choice today, the lower the policy they will be able to extract from the voter in the following period. The equilibrium policy function is such that it compensates exactly for the difference in their payout today.

3.3 Optimal Dynamic Limits

I next consider at what level the initial limit should be set to best serve the voter. Limits on local governments are created at one point in time and then allowed to evolve over time. What level should limit designers be aiming for to maximize the welfare of voters when they are initially set?

Under the R-R equilibrium, the voter is best served by a limit that is set at their optimal value, such that $\ell = \tau$. Then, the official will set the policy at the limit, and the voter will experience their preferred policy. However, in the dynamic equilibrium, if the limit is set at the voter's optimal level, the official can extract spending that exceeds the voter's optimal. So what limit is best for the voter?

Proposition 3 shows that the optimal limit for the voter exceeds their preferred level of spending. It is preferable to make the limit higher in order to reduce the power of the official.

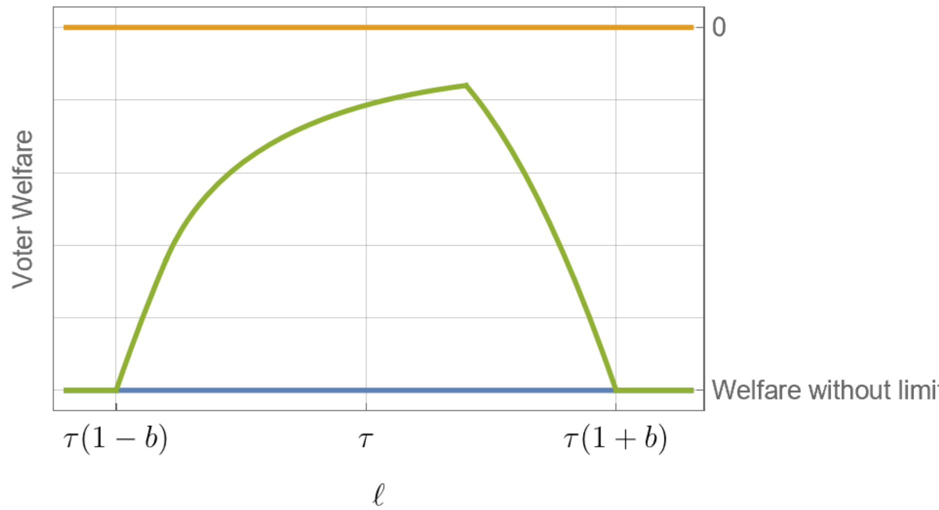
Proposition 3. *When β_O exceeds $1/2$, the limit that maximizes the voter's discounted stream of payouts exceeds τ.*

Proof: See Appendix A.3

The proposition states that the optimal level to set the limit at exceeds the voter's optimal when the static equilibrium does not hold. Since all chosen policies are absorbing states, choosing the optimal limit amounts to choosing the one that will produce the lowest policy level. The proof shows that this optimal limit is the lowest ℓ for which $t(\ell)$ is equal to ℓ. This value is shown as B in Figures 2 and 4.

The voter's welfare derived from the optimal limit depends crucially on the official's discount rate. The voter's welfare at the optimal limit is decreasing in the official's discount rate and when the official discount rate approaches one the voter's welfare approaches that which would occur without a limit. Proofs for these statements are provided in Appendix A.4. Figure 5 shows the voter's welfare at the optimal limit for varying levels of the official's discount rate. The left panel shows the optimal limit and the right panel shows the voter's welfare at that limit. The voter's

Figure 4: Voter Welfare from Varying Initial Limits



Note: The green curve represents the voter's discounted welfare of a limit set at ℓ. The orange line at zero represents the voter's welfare if the policy were set at the voter's optimum each year, and the blue line at represents the voter's welfare if there was no limit and the policy were set at the official's optimum each year, which results in welfare of $v(\tau(1+b))/(1-\beta_V)$. The distance between the blue and green lines represents the benefit to the voter of a limit when the initial limit is set at ℓ and evolves thereafter.

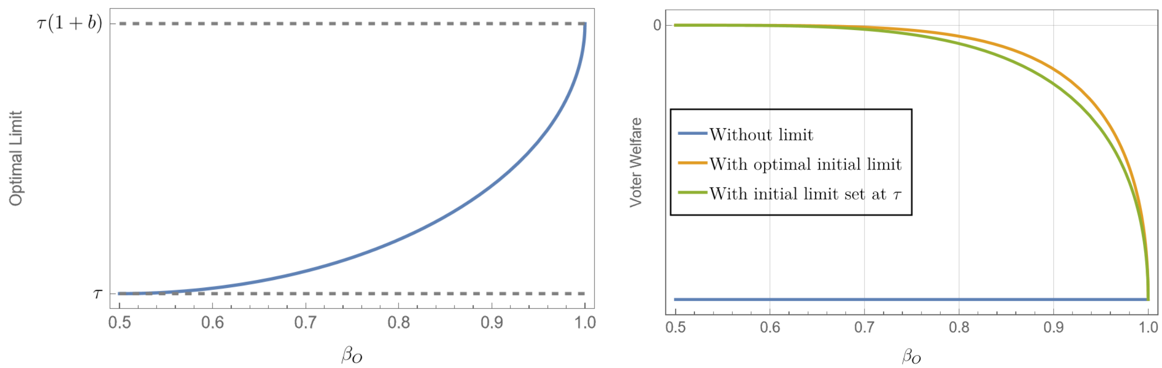
welfare is decreasing in β_O and approaches zero as β_O approaches one.

3.4 Voter Welfare and Official's Discount Factors

The last result of the paper is that the voter's welfare from the optimal limit is decreasing in the official's discount rate. When the official cares more about future payoffs, they are better able to take advantage of the dynamic structure of the limit to extract higher spending from the voter.

Figure 5 shows how the optimal limit and the voter's welfare with that limit vary with the official's discount rate, β_O. The left panel shows the optimal limit at varying levels of β_O. The right panel shows the voter's welfare with that limit. The voter's welfare is decreasing in β_O and approaches the level that would be achieved with no limit at all as β_O approaches one. This is because as the official cares more about future payoffs, they are more willing to threaten lower spending after a failed referendum and as a result can extract higher spending from the voter.

Figure 5: Optimal Limits and Voter Welfare with Varying Discount Factors



a) Optimal Limit b) Voter Welfare

Note: panel a) shows the optimal limit at varying levels of the official's discount rate, β_O. Panel b) shows the voter's welfare at varying levels of β_O under three different scenarios. When there is no limit the official chooses their preferred level every year.

4 Conclusion

This paper analyzes the gold standard property tax limitation device present in the United States, the levy limit. Levy limits are in effect in 30 states and in many cases these limits are binding more often than they are not. These limits are necessarily dynamic – they must evolve from one year to another according to a set of rules. The typical rule is that next year's limit is equal to this year's policy.

This paper shows that an official who prefers higher spending can take advantage of the dynamic structure of the limit to extract higher spending. The voter will even approve an override referendum when the limit that the official would be bound to if it failed is already higher than the voter's preferred level of spending. This result suggests that levy limits may not be as effective in restraining taxes.

Beyond its central contribution, the model provides two other interesting results. First, when designing a levy limit, the optimal initial level to set it at exceeds the voter's preferred level of spending. Setting the limit higher reduces the power of the official to extract higher spending from the voter. Second, the limit is more effective when the official cares much more about current policy outcomes than future outcomes. This suggests there may be some upside to politicians who are excessively concerned about taking credit for current policies over those that occur after they are gone. They may not be able to credibly threaten to punish the voter for rejecting their proposal.

The analysis suggests that states relying on policy-based evolution rules may want to consider alternatives, such as limit-based evolution or the carryover provisions recently adopted in states like New York and Texas, which could mitigate the official's ability to exploit dynamic considerations. Future work should examine these alternative designs empirically and extend the model to settings with stochastic shocks to desired spending.

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A Proofs

A.1 Proof of Proposition 1

Proof. First, I show that for an equilibrium to exist following the policy function in Equation 3, it must be the case that for all $\ell \in (\tau(1-b), \tau)$, $\underline{t}(\ell) = \ell$.

Suppose not, then there exists some $\ell \in (\tau(1-b), \tau)$ such that $\underline{t}(\ell) < \ell$. Since given the policy function in Equation 3, $t(\ell) = t(t(\ell))$ for all ℓ, the constraint in Equation 2 requires

$$\frac{v(t)}{1-\beta_V} \geq \frac{v(\underline{t}(\ell))}{1-\beta_V} \tag{4}$$

Since $\underline{t} < \ell$, there exists a $t > 2\tau - \ell$ that satisfies this condition. Since $2\tau - \ell < \tau(1+b)$, $u(t) + \beta_O W(t)$ is increasing in t at $t = 2\tau - \ell$. Thus, $2\tau - \ell$ cannot be a solution to the problem in Equation 2. Hence, it must be the case that if the policy function in Equation 3 is a solution to Equation 2, then $\underline{t}(\ell) = \ell$ for all $\ell \in [\tau(1-b), \tau)$.

In order for $\underline{t}(\ell)$ to be equal to ℓ for all $\ell \in [\tau(1-b), \tau)$, we must have that for all $\ell \in (\tau(1-b), \tau)$,

$$\ell \in \arg\max_{\hat{t} \leq \ell} \quad u(\hat{t}) + \frac{\beta_O}{1-\beta_O} u(t(\hat{t})) \tag{5}$$

Since the objective function is continuously differentiable over the range, this requires that the objective function is increasing in $\hat{t}$ for all $\hat{t} < \tau$. First note that the first derivative of the objective function is

$$u'(\hat{t}) + \frac{\beta_O}{1-\beta_O} u'(t(\hat{t}))t'(\hat{t}). \tag{6}$$

If $\hat{t}$ is less than $\tau(1-b)$ then $t(a) = \tau(1+b)$. In this case, the expression in Equation 6 is positive since $t'(\hat{t}) = 0$. If instead $\hat{t}$ is at least as large as $\tau(1-b)$, then $t(\hat{t}) = 2\tau - \hat{t}$ and for the derivative to be greater than zero requires that

$$\frac{u'(\hat{t})}{u'(2\tau - \hat{t})} \geq \frac{\beta_O}{1-\beta_O}. \tag{7}$$

Since u is concave by assumption, the expression on the left-hand side is not less than one and decreasing in $\hat{t}$. When $\hat{t} = \tau$ the left-hand side is equal to one. Thus, for the inequality to hold for all $\hat{t} < \tau$ requires that $\beta_O \leq 1/2$.

□

A.2 Proof of Proposition 2

Proof. Let A be the value defined by the following equation:

$$u'(A) - \frac{\beta_O}{1-\beta_O} u'(t^{RR}(A)) = 0$$

Under the assumptions on the u function, $u'(\tau(1-b)) > 0$ and $u'(t^{RR}(\tau(1-b))) = 0$. Hence $u'(A) - \frac{\beta_O}{1-\beta_O} u'(t^{RR}(A))$ exceeds zero. Since $\beta_O > 1/2$, by the argument in the Proof of Proposition 1, $u'(A) - \frac{\beta_O}{1-\beta_O} u'(t^{RR}(A)) < 0$. Hence, there exists an A in the range $(\tau(1-b), \tau)$ such that the above equation holds.

Let B be defined by the following equation:

$$\frac{u(B)}{1-\beta_O} = u(A) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(A)) \tag{8}$$

Since A is less than τ, $u(A) + \frac{\beta_O}{1-\beta_O} u(2\tau - A)$ must be greater than $\frac{u(\tau)}{1-\beta_O}$. Since $\frac{u(t)}{1-\beta_O}$ is increasing in t, B must exceed τ. Since $u(A) < 0$, B must be less than $\tau(1+b)$.

Let $t(\ell)$ be a function that is equal to t^{RR} when $\ell \leq A$ and when $\ell \geq B$ and when $\ell \in (A,B)$ is implicitly defined by:

$$u(A) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(A)) = u(\ell) + \frac{\beta_O}{1-\beta_O} u(t(\ell)) \tag{9}$$

For all $\ell \in (A,B)$ this equation has a solution in the range $(B, t^{RR}(A))$. To see this note first that Equation 8 and the fact that $u(\ell) < u(B)$ imply that for all such ℓ,

$$u(A) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(A)) > u(\ell) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(B)).$$

Second note that for all ℓ in this range, $u(\ell) > u(A)$, and hence

$$u(A) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(A)) < u(\ell) + \frac{\beta_O}{1-\beta_O} u(t^{RR}(A)).$$

Thus, by the intermediate value theorem, there exists a solution to Equation 9 in the range $(B, t^{RR}(A))$ for all $\ell \in (A,B)$. Note that since it is a function of continuous functions, $t(\ell)$ is continuous in this range. In addition, note that $t(\ell)$ exceeds $t^{RR}(\ell)$ in this range.

For all ℓ, it is the case that $t(\ell) = t(t(\ell))$. This is the case because for all ℓ, $t(\ell)$ is at least as large as B. As a result, $t(t(\ell))$ is equal to $t^{RR}(t(\ell))$ for all ℓ. Since B exceeds τ, and $t^{RR}(\ell) = \ell$ for all ℓ at least as large as τ we have the necessary result.

Next, we show that for all $\ell \in [\tau(1-b), B]$, there is a $\underline{t}(\ell)$ which is no more than ℓ that satisfies the constraint in Equation 2 with equality. This is satisfied when

$$\frac{v(t(\ell))}{1-\beta_V} = v(\underline{t}(\ell)) + \frac{\beta_V}{1-\beta_V} v(t(\underline{t}(\ell))) \quad \forall \ell. \tag{10}$$

For $\ell < A$, following the RR equilibrium, $\underline{t}(\ell) = \ell$ and since $v(\ell) = v(t(\ell))$ the condition is satisfied.

For $\ell \in [A,B]$, Define as F the function that equals zero when the condition is satisfied.

$$F(x;\ell) = v(x) + \frac{\beta_V}{1-\beta_V} v(t(x)) - \frac{v(t(\ell))}{1-\beta_V} \tag{11}$$

Since $v(A) = v(t(A))$ and $t(\ell)$ is no more than $t(A)$, $F(A;\ell)$ must be no more than zero for all values of ℓ.

Now consider $F(\ell;\ell)$

$$F(\ell;\ell) = v(\ell) - v(t(\ell)) \tag{12}$$

As described above, $t(\ell) \geq t^{RR}(\ell)$ on this range and $v(t^{RR}(\ell)) = v(\ell)$. As a result, $v(\ell)$ exceeds $v(t(\ell))$ and $F(\ell;\ell)$ is positive.

Thus, $F(A;\ell) \leq 0$ and $F(\ell;\ell) > 0$. Since $F(x;\ell)$ is a continuous function of x, by the intermediate value function $F(x;\ell)=0$ must have a solution on the range $[A,\ell]$ for all ℓ on the range $[A,B]$.

For $\ell > B$, the solution again follows the RR equilibrium and $\underline{t}(\ell)=\ell$. Since in this range, $t(\ell)=\ell$, the condition is satisfied.

Next, I show that this $\underline{t}(\ell) \in \underline{T}(\ell)$. This is satisfied when for all $\ell < B$,

$$u(\underline{t}(\ell)) + \frac{\beta_O}{1-\beta_O} u(t(\underline{t}(\ell)) \geq u(\hat{t}) + \frac{\beta_O}{1-\beta_O} u(t(\hat{t})) \quad \forall \hat{t} \leq \ell \tag{13}$$

For $\ell < A$, $u(\hat{t}) + \frac{\beta_O}{1-\beta_O} u(t(\hat{t}))$ is increasing in t for all $t < A$, so the condition is satisfied.

From Equation 9 we have that for all $t \in [A,B]$,

$$u(t) + \frac{\beta_O}{1-\beta_O} u(t(t)) = u(A) + \frac{\beta_O}{1-\beta_O} u(2\tau - A). \tag{14}$$

Thus, for $\ell \in [A,B]$, we have that Equation 13 is strictly satisfied for all $\hat{t} < A$ and satisfied with equality for all $\hat{t} \in [A,\ell]$.

Lastly, I show that the $t(\ell)$ function described here maximizes the objective function in Equation 2 given the $\underline{t}(\ell)$ function.

For $\ell \leq \tau(1-b)$ and $\ell \geq \tau(1+b)$, we have that $t(\ell)=\tau(1+b)$. Under the assumptions on the u function, this satisfies the unconstrained first order condition of the problem. Since the objective function is concave and continuously differentiable, this is the maximum.

For $\ell \in [\tau(1-b), \tau(1+b))$, the objective function is increasing in t. Any $t' < t(\ell)$ would be inferior to $t(\ell)$. Since $t(\ell)$ exceeds τ, $v(t(\ell))$ is decreasing in $t(\ell)$. Hence, because the constraint in Equation 10 holds with equality with $t(\ell)$ it would be violated for t' that exceed that. Thus, $t(\ell)$ solves the maximization problem.

□

A.3 Proof of Proposition 3

For $\ell \in [A,B)$, where A and B are defined in the proof of proposition 2, the equilibrium $t(\ell)$ satisfies

$$(1-\beta_O)u(A) + \beta_O u(2\tau - A) = (1-\beta_O)u(\ell) + \beta_O u(t(\ell)).$$

Hence

$$\beta_O u(t(\ell)) = (1-\beta_O)u(A) + \beta_O u(2\tau - A) - (1-\beta_O)u(\ell).$$

Since $\ell < \tau(1+b)$, we have that $u'(\ell) > 0$ and as a result the right hand side is decreasing in ℓ. Thus $u(t(\ell))$ must be decreasing in ℓ. Since $t(\ell) \leq \tau(1+b)$, it must be the case that $t(\ell)$ is decreasing in ℓ.

For $\ell < A$, $t(\ell)$ is equal to either $\tau(1+b)$ or $2\tau - \ell$. Both are weakly decreasing in ℓ.

For $\ell > B$, $t(\ell)$ is equal to the lesser of ℓ or $\tau(1+b)$ and hence exceeds B.

Thus, for all $\ell > B$ we have that $t(\ell) \geq t(B)$. Since $t(\ell)$ exceeds τ for all ℓ, and $t(\ell) = t(t(\ell)$ for all ℓ, B must maximize the discounted sum of voter's payoffs.

By the argument in the proof of proposition 2, B exceeds τ.

A.4 Proof of Statements Regarding Optimal limit

A.4.1 The voter's welfare is decreasing in β_O

From the proof of proposition 3 we know that the voter's welfare at the optimal limit is $\frac{v(B)}{1-\beta_O}$. First, I show that A is decreasing in β_O.

A is defined by

$$(1-\beta_O)u'(A) = \beta_O u'(2\tau - A).$$

and define $F : \mathbb{R} \times (0,1) \to \mathbb{R}$ by

$$F(A,\beta_O) \equiv (1-\beta_O)u'(A) - \beta_O u'(2\tau - A).$$

Since u is twice continuously differentiable, $u'(t)$ is strictly positive on the relevant range and $u''(t) < 0$, F is continuously differentiable. For any (A,β_O) satisfying $F(A,\beta_O) = 0$,

$$\frac{\partial F}{\partial \beta_O}(A,\beta_O) = -u'(A) - u'(2\tau - A) < 0,$$

and

$$\frac{\partial F}{\partial A}(A,\beta_O) = (1-\beta_O)u''(A) + \beta_O u''(2\tau - A) < 0,$$

since $\beta_O \in (0,1)$ and $u'' < 0$. In particular, $\partial F/\partial A \neq 0$, so the Implicit Function Theorem implies that $A(\beta_O)$ is differentiable and

$$\frac{dA}{d\beta_O} = -\frac{\frac{\partial F}{\partial \beta_O}(A(\beta_O),\beta_O)}{\frac{\partial F}{\partial A}(A(\beta_O),\beta_O)}. \tag{15}$$

Because $\frac{\partial F}{\partial \beta_O} < 0$ and $\frac{\partial F}{\partial A} < 0$, it follows that $\frac{dA}{d\beta_O} < 0$. Hence A is decreasing in β_O.

Next I show that B is increasing in β_O. From the proof of proposition 3 we have that

$$u(B) = (1-\beta_O)u(A) + \beta_O u(2\tau - A).$$

Differentiating with respect to β_O gives

$$\frac{du(B)}{d\beta_O} = u(2\tau - A) - u(A) + \frac{dA}{d\beta_O}((1-\beta_O)u'(A) - \beta_O u'(2\tau - A)).$$

From the definition of A, we have that $(1-\beta_O)u'(A) - \beta_O u'(2\tau - A)) = 0$. Since $u(2\tau - A)$ exceeds $u(A)$, $u(B)$ is increasing in β_O. Since $u'(B) > 0$, B is also increasing in β_O. $v'(B)$ must be negative because B exceeds τ. Therefore, $\frac{v(B)}{1-\beta_V}$ is decreasing in β_O.

A.4.2 The maximum benefit to the voter from the limit goes to zero as $\beta_O \to 1$

A is defined by

$$(1-\beta_O)u'(A) = \beta_O u'(2\tau - A).$$

Hence, as $\beta_O \to 1$, $u'(2\tau - A) \to 0$, $2\tau - A \to \tau(1+b)$, and $A \to \tau(1-b)$.

B is defined by

$$u(B) = (1-\beta_O)u(A) + \beta_O u(2\tau - A).$$

As $\beta_O \to 1$, $u(B) \to u(\tau(1+b))$ and $B \to \tau(1+b)$.

Hence as $\beta_O \to 1$, the voter's welfare with the optimal limit, $\frac{v(B)}{1-\beta_V}$, approaches $\frac{v(\tau(1+b))}{1-\beta_V}$, which is the voter's welfare if there were no limit.

B State Levy Limit Policies

Appendix Table A1 summarizes how I code state property-tax levy limits. A state is classified as having a levy limit if state law places a ceiling on the dollar amount of property-tax revenue ("the levy") that a local government may raise in a given year absent an additional authorizing action; the tax rate is then the rate required to raise the chosen levy. I code a "voter override" when local governments may exceed the limit through approval by voters (including petition-triggered referenda where applicable); when exceedance instead occurs through statutory exemptions, emergency provisions, administrative approval, or supermajority action by the governing body, I code "no voter override" and note the mechanism. I also classify how the limit evolves over time: by policy if next year's limit is anchored to the current year's chosen levy, by limit if it is anchored to the current year's statutory limit regardless of the levy chosen, and hybrid if it depends on both (most commonly because unused capacity can be carried forward subject to a cap or time horizon). Several states have reassessment-triggered "rollback" or "yield-control" rules, which occupy a gray area as to whether they are levy limits or not. These limits restrain revenue increases that may occur due to property reassessment when tax rates are sticky but do not necessarily impose an annually binding levy cap. I code them as levy limits and describe them as such in a footnote. Many states have multiple types of limits that apply to different types of local governments; I code the limit that applies to a broad set of local governments that most closely follows this paper's conceptual model.

Table A1: State property-tax levy limits, override provisions, evolution type, and sources

State	Levy limit	Voter override	Evolution type	Source
Alabama	No	—	—	Lincoln Institute of Land Policy (2023)
Alaska[a]	Yes	No	—	Lincoln Institute of Land Policy (2023)
Arizona	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Arkansas[b]	Yes	No	—	Lincoln Institute of Land Policy (2023)
California	No	—	—	Lincoln Institute of Land Policy (2023)
Colorado	Yes	Yes	Policy	Colorado House Bill 24B-1001, 74th General Assembly, 1st Special Session. (2024).
Connecticut	No	—	—	Lincoln Institute of Land Policy (2023)
Delaware[b]	Yes	No	—	Lincoln Institute of Land Policy (2023)
Florida	No	—	—	Lincoln Institute of Land Policy (2023)
Georgia	No	—	—	Lincoln Institute of Land Policy (2023)
Hawaii	No	—	—	Lincoln Institute of Land Policy (2023)
Idaho	Yes	Yes	Limit	Lincoln Institute of Land Policy (2023)
Illinois	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Indiana[c]	Yes	No	Limit	Ind. Code ch. 6-1.1-18.5
Iowa[d]	Yes	No	—	Lincoln Institute of Land Policy (2023)
Kansas	No	—	—	Lincoln Institute of Land Policy (2023)
Kentucky[e]	Yes	Yes	Policy	KRS 132.017; KRS 132.027
Louisiana[d]	Yes	No	—	La. Const. art. VII, §23
Maine	No	—	—	LD 2102; P.L. 2023, c.603
Maryland	No	—	—	Lincoln Institute of Land Policy (2023)
Massachusetts	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Michigan	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Minnesota	No	—	—	Lincoln Institute of Land Policy (2023)
Mississippi	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Missouri	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Montana	Yes	Yes	Hybrid[f]	Lincoln Institute of Land Policy (2023)
Nebraska	Yes	Yes	Hybrid[g]	Neb. LB34 (2024); Neb. Rev. Stat. §§ 13-3401—13-3408

State	Levy limit	Voter override	Evolution type	Source
Nevada	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
New Hampshire	No	—	—	Lincoln Institute of Land Policy (2023)
New Jersey	Yes	Yes	Hybrid[h]	Lincoln Institute of Land Policy (2023)
New Mexico[b]	Yes	No	—	NMSA §7-37-7.1
New York	Yes	Yes	Hybrid[i]	Lincoln Institute of Land Policy (2023)
North Carolina	No	—	—	Lincoln Institute of Land Policy (2023)
North Dakota	Yes	Yes	Hybrid[j]	H.B. 1176, 69th Leg. Assem., Reg. Sess. 2025.
Ohio[k]	Yes	Yes	Limit	Ohio Legislative Service Commission. (2025, September 19). *Property tax reduction factor* (Members Brief). Columbus, OH.
Oklahoma	No	—	—	Lincoln Institute of Land Policy (2023)
Oregon	No	—	—	Lincoln Institute of Land Policy (2023)
Pennsylvania	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
Rhode Island[l]	Yes	No	Policy	R.I. Gen. Laws §44-5-2
South Carolina	No	—	—	Lincoln Institute of Land Policy (2023)
South Dakota[m]	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023); SDCL 10-12-43; SDCL 10-13-36
Tennessee	No	—	—	Lincoln Institute of Land Policy (2023)
Texas	Yes	Yes	Hybrid[h]	Lincoln Institute of Land Policy (2023)
Utah	No	—	—	Lincoln Institute of Land Policy (2023)
Vermont	No	—	—	Lincoln Institute of Land Policy (2023)
Virginia[bn]	Yes	No	Policy	Va. Code §58.1-3321
Washington	Yes	Yes	Policy	Lincoln Institute of Land Policy (2023)
West Virginia[b]	Yes	No	—	W. Va. Code §11-8-6e
Wisconsin	Yes	Yes	Hybrid[o]	Lincoln Institute of Land Policy (2023)
Wyoming	No	—	—	Lincoln Institute of Land Policy (2023)

State	Levy limit	Voter override	Evolution type	Source

[a] No override procedure.
[b] ”Rollback” type limit applies when properties are reassessed (not an annual levy growth cap)
[c] Override via appeal to the state Department of Local Government Finance.
[d] Override by supermajority vote of the governing body.
[e] Levy increases above the limit can be challenged via a petition/recall process that triggers a referendum (not always a proactive referendum override). See KRS 132.017 (and related provisions in KRS 132.027.).
[f] Evolves according to prior year policy plus governments can carry forward unused millage space under their limit, but the inflation growth factor is not applied to carry-forward.
[g] Evolves according to prior year policy plus governments can carry-forward unused authority capped at 5% of prior-year limit.
[h] Evolves according to prior year policy plus governments can carry-forward unused authority for up to three years.
[i] Evolves according to prior year policy plus governments can carry-forward unused authority of up to 1.5% of prior year’s limit.
[j] Allows carry-over of unused authority for up to five years.
[k] While the limits are often described as a rate limit (as opposed to a levy limit), voter approved levies beyond the 10 mill limitation are stated as tax rates, but effectively approve a revenue amount and so act as a levy limit.
[l] Override via exemption by statutory criteria with certification by supermajority of governing body.
[m] Limit can be exceeded by a supermajority vote of the governing body but can be referred to voters by the governing body or by petition.
[n] Override via action of governing body.
[o] Evolves according to prior year policy plus governments can carry-forward unused authority: (i) prior-year unused levy carry-forward capped at 1.5% of prior-year actual levy, and (ii) multi-year unused levy carry-forward over the prior five years capped at 5% total.