

## **Explaining Variation in Local Social Welfare Policymaking <sup>1</sup>**

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### **Abstract**

It is often assumed that local governments have little economic scope to act autonomously in addressing issues of local poverty and social welfare. Nevertheless, a large proportion of local governments provide at least one social welfare-oriented function, and a significant proportion of those do so without federal or state intergovernmental support. What explains variation across communities in whether they provide social welfare functions and participate in state social welfare intergovernmental revenue programs?

One possibility is that state governments compel or incentivize local governments to provide social welfare functions. Another possibility, however, is that local decisions on provision and IGR participation reflect local policy preferences and/or local economic constraints. This paper tests these explanations for the local social welfare role, using data on urban municipalities from the 1997, 2002 and 2007 Census of Governments. It finds evidence that local provision and IGR participation are influenced by both state policymaking and by provision and participation decisions made by neighboring units of local government. It also finds evidence that provision decisions at least partly reflect local policy preferences and economic capacity.

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## **Introduction**

One of the most notable features of American local governance is the absence of poverty and social welfare policy from the agenda, particularly when compared to state and national policy agendas. Just as an example, in spite of a well-publicized national debate over American health care reform over the past year, nary a word was heard about the functions and roles of local government in health care. Local governments did not prominently take part in the debate, nor were local elections, for the most part, driven by health reform issues. Conventionally, we explain this as the result of the fiscal incentives facing local governments under American federalism. Local governments generally must raise most of their revenues from their local tax base, and thus have incentives to maximize that tax base, in part by avoiding policies that may attract lower income households to the community and that provide few benefits for higher income households (Oates 1972; Peterson 1981).

Yet many urban local governments play a significant role in providing and financing social welfare functions in their communities, including health care, affordable housing and public assistance. In each of the years 1997, 2002 and 2007, about two-thirds of urban municipalities with populations greater than 2500 provided at least one social welfare function<sup>2</sup>. Moreover, a significant proportion of these municipalities providing a social welfare function does so without intergovernmental support. Figure 1 shows the provision and finance arrangements for urban municipalities with populations greater than 2500 in 2007. One thing that is notable is that a significant proportion of these municipalities provide each of these functions.

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<sup>2</sup> Following Schneider (1989), I opt to include health and hospitals and housing and community development along with public welfare in my definition of social welfare. The Census Bureau provides definitions and classifications of these functions in its Government Finance and Employment Classification Manual (2000). I use these definitions of government functions throughout this book.

Well over 500 larger urban municipalities even provide some form of public welfare. Moreover, most municipalities providing public welfare or health functions do so without any intergovernmental support. How then do we square this variation in local provision and finance arrangements over social welfare with the incentives local governments face to avoid social welfare functions, and particularly without intergovernmental support?

This paper evaluates competing explanations for local decisions on provision of public welfare, health and housing programs and on participation in state intergovernmental revenue (IGR) programs. It finds evidence that, while state policymaking influences local choices over provision and finance of social welfare spending, local choices on provision (though not, in general, IGR participation) reflect local political and economic factors. Local choices on provision and finance also reflect policy diffusion: the choices of other units of local government within the county affect a community's provision and finance arrangements. This suggests that local governments exercise some degree of autonomy over social welfare policy.

### **Literature review**

The conventional wisdom in political science and public administration has been that local governments are, at best, “junior partners” in the social welfare system (Sharp and Maynard-Moody 1991). To the extent that local governments are involved in social welfare policy, their role is largely that of implementers of state and federal policies, akin to what we would expect under a picket fence model of federalism. This view of the role of local governments is reinforced if we suppose that local participation in intergovernmental revenue programs is also largely driven by decisions by federal and state governments on what places to allocate those funds, rather than on local decisions about whether to accept funds (Stein 1979).

That many local governments provide social welfare functions without intergovernmental support, however, raises the possibility that local governments exercise at least some degree of autonomy over whether they will provide social welfare functions and if so whether they will accept federal and/or state support. Participation in intergovernmental revenue programs may entail some significant costs to local governments that may induce some to opt out (Stein 1979, 1981). These costs may be administrative in nature (such as complying with program rules and reporting), but also include political and economic costs, such as committing the community to providing functions that may be more redistributive than they intend. Indeed, many communities decline to participate in federal and state programs as a way of avoiding development that may be considered to be undesirable, such as subsidized housing (Danielson 1975).

These observations suggest that differences across communities in social welfare provision and participation in intergovernmental revenue programs results from variation across states in institutional arrangements that induce or compel local social welfare effort, in the economic and political costs to local communities and policymakers from providing social welfare and participating in intergovernmental programs, or some combination of both. Let's consider each in turn.

*Vertical model: intergovernmental arrangements*

One possible explanation for why local governments differ in providing and financing social welfare is that state governments vary in the extent to which they facilitate (or even impose) local provision of social welfare and participation in social welfare intergovernmental revenue programs. Local provision of social welfare is likely to reflect how the state divides

social welfare responsibilities between state government and local government, and across different types of local government. We might expect that local governments are less likely to provide a particular function in states where the state government plays a larger role in providing that function. That is, state effort may substitute for local effort. Likewise, local governments are less likely to provide a social welfare function when another unit of local government with overlapping jurisdiction provides that function. For instance, municipalities are less likely to provide a function when the county in which they are located provides that function. Conversely, municipalities are more likely to provide a function in states where municipalities, in general, are assigned greater responsibility for that function.

State governments also shape the costs and benefits to local governments of participation in intergovernmental grant programs. For example, states determine the proportion of their social welfare spending that should be implemented by local governments in the amount of intergovernmental revenues they make available. We should expect, then, that local governments in states that provide more funding in social welfare intergovernmental revenues are more likely to participate in social welfare intergovernmental revenue programs.

*Horizontal model: Policy diffusion and local political and economic factors*

Another possibility, however, is that local decisions on social welfare provision and participation in intergovernmental revenue programs reflect economic conditions and political factors at the local level. In particular, local provision and IGR participation decisions are likely to reflect a community's economic capacity for redistribution and political support or opposition to social welfare.

### Provision

Generally speaking, local governments are more likely to provide a new function or program when they have greater economic capacity to sustain its provision over time. Creating a new program very often creates an organized constituency with an interest in continuing its provision, in the form of a new department or bureaucracy and/or the program's clients. Given that the welfare magnet thesis has become conventional wisdom to many in state and local public finance (Bailey and Rom 2004; Schram, Nitz and Krueger 1998), many communities are likely to be cautious in adopting a new social welfare function. As a result, a municipality is more likely to adopt a social welfare function when nearby communities have already adopted it. This may be because adoption by other communities reduces the threat of a welfare magnet effect. It also provides additional information to the community on the costs and benefits of adopting a particular social welfare function (Gray 1973).

Moreover, to the extent that adoption of a new program commits a municipality to providing it for a number of years, communities with greater fiscal capacity are more likely to provide a given social welfare function than poorer communities. In addition, the community's capacity to sustain those expenditures over the long run is likely to be relevant. Social welfare differs from other local policies in that its provision may affect fiscal capacity. Under the fiscal federalism model, communities that provide social welfare may be punished with a decline in tax base as lower income households become more attracted to the community and higher income households less attracted (Oates 1972; Peterson 1981). Thus, communities in which households and capital are more mobile have less capacity to sustain social welfare over the long run and thus find providing social welfare functions more costly.

In addition, political support and/or opposition to adoption of a social welfare function is likely to affect local provision decisions. The decision to provide a new function faces two significant veto points. First, in order for such a proposal to be considered, the issue must somehow make it on to the local agenda. Consequently, local interests that oppose provision may have opportunities to prevent the issue from coming to public attention in the first place (Peterson 1981). Second, once on the agenda a proposal to provide a new program is likely to receive a significant amount of scrutiny. This is particularly likely to be the case with a social welfare program that may have a long term impact on the local tax base.

Consequently, communities with a significant population that likely stands to bear the costs of a social welfare program are less likely to provide such a program. This may include the local business community and homeowners, both constituencies likely to bear the costs but obtain few benefits from a social welfare program. Likewise, communities with a significant population likely to benefit from social welfare are more likely to overcome the veto barriers associated with provision and thus more likely to provide a social welfare program. This may include communities with social groups that are more vulnerable to poverty, such as younger households and nonwhite households, or social groups that tend to show greater support for social welfare, such as college graduates and African-Americans (Greenstone and Peterson 1976; Bartels 2008).

#### IGR participation

Local political support for, and opposition to, redistribution is also likely to affect local decisions on participation in social welfare intergovernmental revenue programs. In the absence

of intergovernmental support, local governments that provide a function such as health or housing and community development have greater flexibility in deciding the goals of the programs they adopt. The Census Bureau's definitions for health and for housing and community development functions are broad enough to include both redistributive programs (e.g. public hospitals or affordable housing) and nonredistributive programs (e.g. vaccination programs or slum clearance). Since local governments have fiscal incentives to pursue non-redistributive goals, participation in intergovernmental revenues may constrain the community to pursuing health and community development programs that are more redistributive than they would choose on their own.

As a result, participation in intergovernmental revenue programs may be a way for a community to credibly commit to supporting a redistributive program. Consequently, as with provision, municipalities may be reluctant to participate in a state intergovernmental revenue program unless they can observe its effects in nearby communities first. Thus, municipalities are more likely to participate in a state social welfare IGR program if other nearby local units of government also participate.

In addition, communities with stronger political support for social welfare may be more likely to participate in social welfare intergovernmental revenue programs. Likewise, communities with greater political opposition to social welfare are less likely to participate in social welfare intergovernmental revenue programs. For instance, opponents to affordable housing on many occasions have blocked a jurisdiction's participation in an intergovernmental revenue program as a way of preventing the construction of such housing in their community (Danielson 1975). To the extent that IGR participation precommits a community to redistributive



programs, then, it is likely that local preferences with respect to social welfare will affect the decision to participate.

In addition, a community's choices over participation in social welfare IGR programs could be contingent on the community's economic capacity to sustain redistribution.

Communities with the highest need and demand for redistribution are likely to be the very ones that face the greatest fiscal constraints in providing social welfare. Consequently, one might expect that communities with weak fiscal capacity or facing strong interjurisdictional competition will be more likely to participate in intergovernmental revenues. In this case, IGRs act as a kind of safety valve to allow officials cross-pressured by need within their communities to alleviate that need without jeopardizing the local tax base.

Alternatively, it may be the case that communities with stronger economic capacity will be those more likely to participate in intergovernmental revenue programs. To the extent that IGR programs precommit a local government to a more redistributive course of policy, local governments facing greater competition or with weaker fiscal capacity may find it much costlier to accept the migration consequences with greater redistribution. Hence, such local governments may be more inclined to address social welfare needs in less redistributive ways using own-source revenues.

In short then, we can identify two competing frameworks to explain variation in local provision of social welfare functions and participation in state and federal intergovernmental revenue programs. On the one hand, local provision and participation might simply reflect differences across states in the way in which they divide up responsibilities for social welfare. Under this vertical model, local governments exercise little autonomy over these decisions, and simply react to the incentives created by higher levels of government. On the other hand, local

governments might make such decisions based on local political preferences and economic conditions and constraints and on whether nearby communities have successfully adopted similar policies. Under this horizontal model, local governments have greater autonomy to respond to local policy preferences in making policy decisions. The role of state governments, then, can be supportive, providing communities with a way to commit to redistributive policy objectives or for fiscally constrained communities to respond to local social welfare needs. These two models paint very different pictures, then, for what the role of state government is when it comes to local social welfare.

### **Data and methods**

To test between these explanations, I analyzed two types of local social welfare policy decisions: provision, (i.e. whether or not the community has expenditures for a particular function), and if so, whether or not it finances those expenditures in part by participating in state intergovernmental revenue (IGR) programs. I analyze these choices across three local policy functions widely considered to be redistributive: public welfare, health and hospitals, and housing and community development, for three years: 1997, 2002 and 2007. I adopt urban municipalities as the unit of analysis since municipalities are more likely than other units of local government to have discretion over provision of social welfare and because urban regions are likely to differ significantly from rural regions in the nature of interjurisdictional competition. I also limit the analysis to those urban municipalities with populations greater than 2500, since smaller municipalities may have fewer resources to accurately report financial information to Census. The analysis draws primarily on data from the 1997, 2002 and 2007 Census of Governments and the 1990 and 2000 Census of Population.

*Operationalizing the provision model*

The provision model includes measures of four factors that may influence a community's decision on providing a social welfare function: state intergovernmental policy, provision by other units of local government, local politics and policy preferences, and economic capacity. State intergovernmental policy includes the way in which state government divides responsibility for providing a given function between state government and different types of local governments. Municipalities in states where municipalities provide a greater share of state and local spending for a particular function are more likely to be responsible for providing that function. Conversely, municipalities in states that generally grant municipalities greater autonomy are less likely to provide social welfare functions voluntarily. To measure this, I include an index of items from a 1993 survey by the Advisory Commission on Intergovernmental Relations of state-level regulation of local government structure and administration related to the autonomy of municipalities. Finally, municipal governments in states providing more intergovernmental payments to local governments to support a particular function are more likely to have incentives to pursue such grants. To measure the supply of state IGRs for each function, I include total state intergovernmental payments to local for the corresponding function for the corresponding year.

In addition to intergovernmental policy, the policy decisions of other local units of government may affect a municipality's provision decision. To assess this, I include dummy variables for county, special district, township, and other municipalities to indicate whether at least one other unit of government within the county provides the corresponding function. For instance, the special district dummy has a value of one if at least one special district in the municipality's county provides the function and zero otherwise.

Measuring political representation and institutions is a challenge when working with Census data. Nevertheless, it is possible to represent elements of the local political environment in terms of the size of demographic groups that may stand to benefit or lose from adoption of local social welfare policy. Since local elected officials have electoral incentives to respond to the policy preferences of larger groups, we may expect these measures to have some effect on local provision decisions. Since nonwhites tend to be more supportive of social welfare policy than whites (Clark and Ferguson 1983; Bartels 2008), I include the percentage of the municipality's population that is nonwhite. I also include the percentage of individuals in the municipality living below the poverty line, as a measure of social welfare need and the size of the constituency most likely to directly benefit from social welfare provision. To proxy political liberalism, I include the proportion of city residents with at least a bachelor's degree.

In contrast, homeowners are likely as a class to have an interest against local social welfare policy, since homeowners in general are likely to have higher incomes and thus more likely to bear the costs and less likely to attain the benefits. In addition, homeowners are more likely to have fears over the consequences of welfare migration on local property values, a risk difficult for them to insure against (Fischel 2001). The local business community is also more likely to bear the costs but attain few benefits from social welfare policy. To measure the relative size of the business community within a municipality, I include the ratio of jobs to population. Finally, I include the proportion of the population over age of 65 as a measure of economic conservatism, since this group is among the least vulnerable to poverty.

A municipality's economic capacity consists of its fiscal capacity (or tax base), costs of providing services, and degree of household and capital mobility. I include measures of each of

these in the provision model. Since most municipalities obtain a significant proportion of tax revenues from property taxes, I include the community's median house value as a measure of tax base. In addition, I include two measures of the per capita cost of providing public services in a community: population and population density. We should expect that the per capita cost of providing public goods will be lower in larger communities than in smaller ones. Moreover, we should expect that it is less costly (on a per capita basis) to provide some services in more densely populated areas than in less densely populated areas.

Moreover, since it is possible for adoption of social welfare functions to induce capital and higher income households to migrate out of the community and/or to attract lower income households to the community, economic capacity also includes the mobility of capital and labor. Several factors may make mobility more costly in some jurisdictions than others. In particular, the costs of exit are higher when a household or business has a more limited range of alternative jurisdictions to which one could move. The fewer the choices, the less likely one is to find a satisfactory alternative jurisdiction. The model thus includes four measures of exit costs. Fragmentation is the number of local governments in the county and neighboring counties. The greater the number of governments, the greater the range of choices and thus the lower are exit costs. Service differentiation is a measure of the uniqueness of a jurisdiction's policies. It is the sum of the absolute deviations between the municipality's level of per capita spending and that of the median for the metropolitan area across eight municipal functions, weighted by the proportion of MSA expenditures on each function. Proportion of metropolitan area population is a measure of the relative size of the community to others in the region. Larger municipalities are more likely to have features that cannot be easily found in communities that are smaller. Finally, expenditure differentiation measures the diversity in size of municipal government across a

region. It is operationalized as the standard deviation of general per capita expenditures across the metropolitan area.

Finally, I include three dummy variables for the region in which the municipality is located, i.e. the Northeast, Midwest or South (West is thus the reference category). This should control for historical differences in the development of municipal responsibilities (Norton 1979).

#### *Operationalizing the state intergovernmental revenue participation model*

Like the provision model, the participation model includes measures of state intergovernmental policy, IGR participation by neighboring jurisdictions, local politics, and economic capacity. There are a few differences in how these are operationalized however:

1) State governments are not likely to direct local units of government to participate in intergovernmental revenue programs in the same way that they may direct local governments to provide a function. Hence, the participation model does not include the municipal share of state and local expenditures. But I do include a dummy variable indicating whether the community is classified as a central city. State governments may have political or economic incentives to target their intergovernmental efforts at their state's largest cities.

2) I include dummy variables to indicate whether other units of local government participate in state intergovernmental revenue programs for the corresponding policy function.

3) Municipalities with a larger financial and other administrative staff have more personnel who can research and manage state intergovernmental grants. This may lower the cost of

participating in IGR programs for some cities, and so I include it as an additional measure of a community's economic capacity.

### *Statistical framework*

Since the provision decision censors the IGR participation decision, I use a Heckman selection technique to estimate the provision and IGR participation models for each year and function (Amemiya 1984; Van de Ven and Van Praag 1981). This method simultaneously estimates the censoring process (i.e. the provision decision) and the censored model (the IGR participation decision) and has two distinct advantages over estimating the two models separately: 1) it provides unbiased estimates of the censored model, and 2) it provides more efficient estimators for both the provision and IGR participation models. Both sets of coefficients can be interpreted as though estimated from a probit model. This method is implemented using the "heckprob" function in Stata 8.0.

### **Results**

Analyzing two types of decisions (provision and IGR participation) across three policy areas and three time periods produces 18 different sets of results. In order to simplify the discussion, I will present a comparison of the parameter estimates across all 3 policy areas for one year (2007) and a comparison across all 3 years for one policy area (health and hospitals) for both the provision model and the IGR participation model. I have included an appendix that provides additional comparisons of parameter estimates for provision and IGR participation across all 3 policy areas for 1997 and 2002, and comparisons across all 3 years for public welfare and for housing and community development.

*Provision of public welfare, health, and housing*

Local decisions on providing social welfare tend to be affected not just by intergovernmental factors, but also by the provision of other units of local government in the county, political factors within the county, and the jurisdiction's economic capacity over the long run. Table 1 shows the coefficient and standard error estimates for the public welfare, health and hospitals, and housing and community development provision models for 2007. One thing that stands out is that vertical factors play a significant role in explaining provision in 2007. In particular, communities in states that assign greater responsibility for public welfare or housing to municipalities are more likely to provide those functions. Moreover, communities in states that provide a greater supply of health or housing intergovernmental revenues are more likely to provide those functions. And municipalities in states giving a greater degree of autonomy to municipalities are generally less likely to provide a social welfare function (though this result seems to only hold for 2007...see Tables A1 and A2). Consistent with the vertical model then, decisions by states on how to divide social welfare functions across state government and local units and/or make available intergovernmental assistance significantly affect local provision of social welfare.

At the same time, decisions by other units of local government have a significant impact on municipal decisions on social welfare provision. Moreover, the impact tends to differ with the type of local unit and with function. Provision by the county or by special districts tends to substitute for municipal provision of public welfare and health. On the other hand, special district provision of housing and community development tends to complement municipal



efforts, suggesting that municipalities may coordinate housing efforts in concert with housing and community development districts. Moreover, provision of public welfare, health or housing by a township or another municipality within the county makes it more likely that a municipality will provide that function too. This is consistent with a welfare magnet model of local policymaking: local governments may be reluctant to provide a social welfare function unless other local units also provide it. It is also consistent with a policy learning model: that is, local governments become more likely to adopt policies of neighboring communities that have successfully used a particular program or policy.

In addition, two local political factors stand out as significant in explaining provision across years and across policy areas: percentage of population that is nonwhite, and homeownership. Communities with larger nonwhite populations are more likely to provide health and housing functions than other communities, even after controlling for poverty and population size. This is consistent with other results suggesting that nonwhites are generally more supportive of social welfare functions than whites (e.g. Clark and Ferguson 1983). Conversely, communities with a larger number of homeowners are less likely to provide social welfare functions. This is consistent with the interests and preferences of many homeowners, who are less likely to benefit from social welfare functions and more likely to oppose policies that limit growth or draw lower income households to the community.

Finally, several economic capacity factors significantly affect local social welfare provision decisions. As expected, communities with larger populations, a greater share of the metropolitan area population, and in less fragmented regions are more likely to provide public welfare, health and housing functions than other communities. Surprisingly, however, a key measure of fiscal capacity, median house value, seems to have little impact on provision

decisions at all. What seems to matter for provision, then, is not the community's current fiscal capacity, but rather the sustainability of social welfare spending over the long run.

We come to similar conclusions about the factors affecting local social welfare provision if we compare provision decisions over time. Table 2 shows coefficient and standard error estimates for the health and hospital provision model in 1997, 2002 and 2007. As we found by comparing across policy areas, communities in states where municipalities had a larger share of state and local health care spending were more likely to provide health and hospital functions in 1997 and 2007. Moreover, communities in states offering a greater amount of money in health intergovernmental grants were more likely to provide health functions in 2002 and in 2007 (though this does not tend to be the case for public welfare or housing provision...see Tables A3 and A4). The overall picture suggests, then, that municipalities in states assigning greater functional responsibility to municipalities are more likely to provide that function.

But it is also clear that other factors also affect local social welfare provision decisions. Consistent with what we found above, county and special district provision of health tends to substitute for local provision (at least in 2002 and 2007). At the same time, communities are more likely to provide health functions if townships or other municipalities within the county provide those functions.

Likewise, local policy preferences and economic capacity consistently affect local provision decisions over time. Communities with a larger nonwhite population and smaller number of homeowners were more likely to provide health functions than other communities. Moreover, communities with greater economic capacity were more likely to provide health and hospital functions, particularly communities with greater populations, a greater share of the MSA population, and/or greater degrees of service and function differentiation (though this does not

seem to generalize to public welfare or housing). Communities in regions that are less fragmented were also more likely to provide public welfare and housing and community development functions (see tables A3 and A4). Interestingly, however, the community's tax base, as represented by housing values, have had little impact on health provision since at least 2002. This is consistent with public welfare and housing and community development as well (see tables A3 and A4).

The overall picture, then, suggests that local governments possess a high degree of autonomy over provision of social welfare. While state decisions on how to divide social welfare responsibilities influences local provision decisions, local provision is also affected by local policy preferences on social welfare, economic capacity to sustain social welfare over the long run, and provision decisions by other units of local government. These results are fairly robust, both across time and across different types of social welfare policy.

*Participation in state public welfare, health, and housing intergovernmental revenues*

In contrast to local decisions on provision, local policy preferences and economic capacity have little effect on local decisions on participating in state intergovernmental revenue programs. Rather, communities that provide social welfare functions are more likely to participate in state intergovernmental revenue (IGR) programs when neighboring units of local government also participate. Table 3 shows coefficient and standard error estimates for the public welfare, health and hospital, and housing and community development intergovernmental revenue participation models.<sup>3</sup> Central cities providing social welfare were consistently more likely to participate in state health and housing IGR programs than other cities, suggesting that many states may target some social welfare IGR programs specifically to their largest cities.

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<sup>3</sup> Conditional on the community providing the corresponding social welfare function.

Beyond this, however, communities are significantly more likely to participate in state public welfare, health and housing IGR programs if other units of local government in their county, particularly townships and other municipalities, also participate.

On the other hand, none of the political or economic capacity variables consistently had a significant impact on a community's participation in state intergovernmental revenues.

Communities with greater levels of homeownership were less likely to participate in state health and housing IGR programs in 2007, but this did not hold true consistently in 1997 or in 2002 (see tables A5 and A6). Likewise, communities in less fragmented regions or with larger populations were more likely to participate in state social welfare IGRs in 2007, but this does not hold consistently across other years. This suggests, then, that local IGR participation decisions are mostly driven by a policy diffusion process.

Comparing IGR participation models across time leads to similar conclusions. Table 4 shows coefficient and standard error estimates for municipal participation in state health and hospital IGR programs. As above, central cities tend to be more likely to participate in health IGRs in 1997 and 2007. The impact of state supply of health intergovernmental revenues is also significant in 2002 and 2007, but with an unexpected sign.

What stands out, however, is that a municipality is more likely to participate in state health and hospital IGRs if townships or other municipalities within the county also participate in those programs. This result is also consistent with what we find for public welfare and housing and community development (see tables A7 and A8).

Moreover, none of the political or economic capacity factors consistently affects local IGR participation over time. Larger communities are more likely to participate in state health IGRs than other communities, but this does not generalize to public welfare and housing and

community development. Likewise, table A7 shows that municipalities with a larger number of administrative employees or in metropolitan areas with greater expenditure differentiation were more likely to participate in state public welfare IGRs, but this does not generalize to either health or housing. And table A8 suggests that municipalities in more fragmented regions or with more homeowners were less likely to participate in state housing IGR programs, but this does not generalize to either public welfare or health IGR participation. These differences may reflect the particularities of differing policy arenas, but it seems clear too that no one economic or political factors seems to generally affect participation in state IGRs.

The picture these results paint, then, is one in which decisions on municipal participation in state IGR programs is relatively apolitical. Instead, policy diffusion seems to best describe the process: municipalities tend to be more likely to participate when other nearby units of government also participate. Given that the model controls for differences in local policy preferences, economic need, and economic capacity, these spatial effects may reflect policy learning. Communities become more willing to participate in state programs when other jurisdictions in their region participate successfully.

## **Conclusions**

I draw four main conclusions from the results above:

*1) Provision and IGR participation constitute distinctly different kinds of local policy decisions.*

Local social welfare policy is often operationalized simply in terms of social welfare expenditures. The analysis above, however, indicates that local social welfare policymaking also consists of important decisions on the provision and finance of those functions and that there is considerable variation in arrangements across communities. Moreover, the factors that drive

local policy outcomes on provision and IGR participation are typically quite different from each other: provision reflects the influence of state policy, the decisions of other local jurisdictions, and local politics and economic constraints. IGR participation, however, seems to be affected by a much narrower range of factors, principally the participation decisions by other nearby jurisdictions.

*2) State governments exercise influence over local provision, but municipalities nevertheless retain at least some degree of autonomy.*

A common piece of conventional wisdom is that local governments play very little role in the social welfare system. However, what we find here suggests that many local governments play a significant role. Moreover, this role is not simply directed by state governments, but rather reflects local economic capacity, local politics and the policies adopted by other jurisdictions. Hence, while states influence or even direct what some local governments do, many other local governments exercise a degree of autonomy over social welfare functions.

The flip side of this is that state governments, perhaps, do not always intervene in ways that may help local governments most in need to provide social welfare functions. Notably, participation in state IGRs is not strongly influenced by the supply of available IGRs, nor is it influenced by a community's fiscal capacity or level of need, as measured by the poverty rate. This may indicate that many local governments that could benefit from IGR support do not pursue such support, or are not targeted by the state for this support.

*3) Local governments vary in their capacity to exercise autonomy over provision with their economic capacity.*

The local provision decision is affected much more by factors related to exit costs rather than to its tax base or fiscal capacity. This may indicate that provision represents a long-term commitment to providing social welfare, and thus communities more likely to suffer from welfare migration effects avoid providing all together. This suggests that communities facing the greatest constraints to providing social welfare functions may be those that are not just impoverished, but those that are relatively small and located in highly fragmented areas. A principal concern for state policymaking, then, should be with impoverished inner ring suburbs in large, fragmented metropolitan areas.

*4) Policy learning seems to have a significant effect on both IGR participation and provision.*

Even after controlling for state intergovernmental policy and for other local economic and political factors, the policy choices of nearby communities have a significant impact on a municipality's provision and IGR participation decisions. This may indicate that local governments tend to be risk averse when adopting social welfare functions. Consequently, a municipality is more likely to adopt a social welfare function or commit to participating in state IGRs when other jurisdictions have already do these things. This is reinforced by the welfare magnet argument (Peterson and Rom 1990), which suggests that local governments are less at risk in providing social welfare if other nearby jurisdictions also provide that function.

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**Figure 1: Provision and finance arrangements for municipal social welfare functions, 2007**

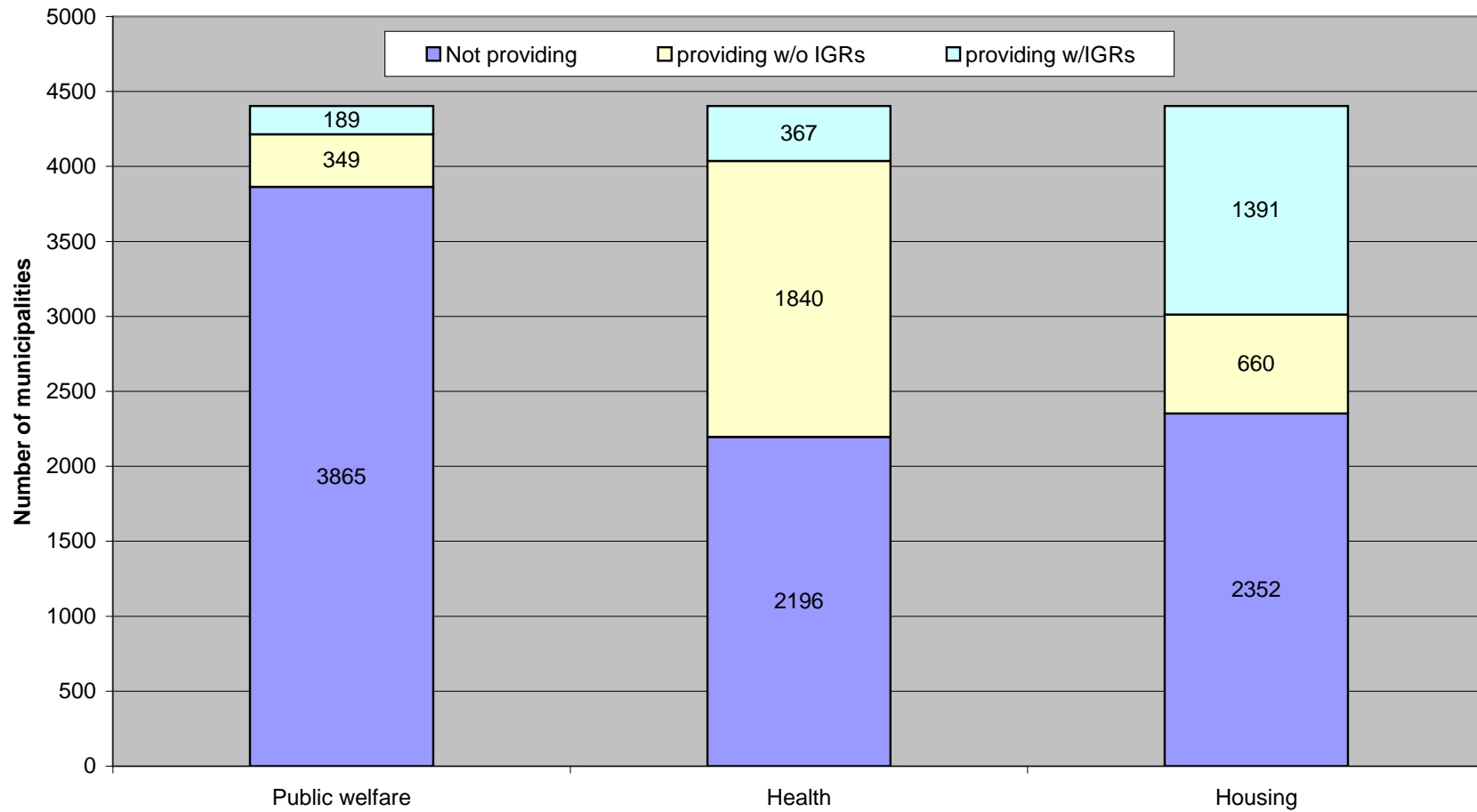


Table 1: Parameter estimates for municipal provision models of public welfare, health and housing, 2007 (4125 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	3.837	1.936	0.047	-2.271	0.309	0.000	0.872	0.182	0.000
Municipal autonomy	-0.046	0.018	0.011	-0.029	0.014	0.037	-0.037	0.015	0.016
State intergovernmental payments	-2.709	0.361	0.000	3.987	0.403	0.000	8.063	2.759	0.003
<i>Provision by other local units</i>									
County	-0.510	0.088	0.000	-0.392	0.106	0.000	0.006	0.056	0.913
Special district	-0.532	0.192	0.006	-0.346	0.049	0.000	0.215	0.070	0.002
Township	0.420	0.084	0.000	0.268	0.080	0.001	0.255	0.094	0.006
Other munis	0.405	0.065	0.000	0.470	0.072	0.000	0.141	0.083	0.091
<i>Political</i>									
% nonwhite	0.222	0.164	0.176	0.371	0.114	0.001	0.253	0.128	0.047
Homeownership	-0.829	0.290	0.004	-0.897	0.214	0.000	-1.515	0.226	0.000
Over 65	1.10E-02	5.59E-03	0.048	4.89E-04	4.00E-03	0.903	3.18E-03	4.25E-03	0.454
College graduate	0.253	0.300	0.400	-0.062	0.213	0.771	-0.162	0.241	0.501
Jobs ratio	0.085	0.085	0.321	-0.022	0.067	0.741	0.279	0.068	0.000
Poverty rate	-0.446	0.645	0.489	-1.119	0.455	0.014	1.358	0.482	0.005
<i>Economic capacity</i>									
Population	9.06E-07	2.08E-07	0.000	1.81E-06	4.03E-07	0.000	2.01E-05	1.35E-06	0.000
Population density	2.68E-06	3.09E-05	0.931	-4.83E-05	2.47E-05	0.051	2.57E-05	2.90E-05	0.376
Service differentiation	4.08E-05	8.22E-05	0.620	3.86E-04	1.96E-04	0.049	-1.20E-04	8.71E-05	0.170
Fragmentation	-2.20E-04	5.16E-05	0.000	-5.76E-05	3.45E-05	0.095	-1.45E-04	4.18E-05	0.001
Proportion of MSA pop.	0.956	0.171	0.000	0.953	0.173	0.000	1.549	0.332	0.000
Expenditure differentiation	-6.88E-08	6.67E-08	0.302	-1.39E-08	2.42E-08	0.566	-5.19E-08	2.69E-08	0.054
Median house value	7.95E-07	5.09E-07	0.118	-8.52E-08	3.06E-07	0.781	-6.83E-07	3.45E-07	0.048
<i>Region</i>									
Northeast	0.202	0.131	0.124	0.472	0.130	0.000	-1.142	0.136	0.000
Midwest	-0.150	0.121	0.215	-0.002	0.102	0.984	-0.778	0.090	0.000
South	-0.071	0.110	0.519	-0.228	0.087	0.009	-1.019	0.093	0.000
<i>Constant</i>									
	-0.517	0.278	0.063	0.597	0.230	0.009	0.414	0.243	0.089

Table 2: Parameter estimates for municipal provision models of health and hospitals, 1997- 2007

	1997 (3858 obs)			2002 (4155 obs)			2007 (4125 obs)		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	-0.782	0.241	0.001	-0.311	0.238	0.192	-2.271	0.309	0.000
Municipal autonomy	-0.011	0.014	0.416	-0.014	0.012	0.236	-0.029	0.014	0.037
State intergovernmental payments	-0.005	0.001	0.000	0.002	0.000	0.000	3.987	0.403	0.000
<i>Provision by other local units</i>									
County	-0.236	0.121	0.051	-0.467	0.089	0.000	-0.392	0.106	0.000
Special district	-0.082	0.051	0.106	-0.138	0.052	0.008	-0.346	0.049	0.000
Township	0.466	0.076	0.000	0.221	0.074	0.003	0.268	0.080	0.001
Other munis	0.385	0.075	0.000	0.303	0.063	0.000	0.470	0.072	0.000
<i>Political</i>									
% nonwhite	0.256	0.163	0.115	0.370	0.111	0.001	0.371	0.114	0.001
Homeownership	-0.807	0.202	0.000	-1.294	0.214	0.000	-0.897	0.214	0.000
Over 65	3.94E-03	3.77E-03	0.297	8.01E-03	3.98E-03	0.044	4.89E-04	4.00E-03	0.903
College graduate	-0.621	0.232	0.008	-0.209	0.211	0.322	-0.062	0.213	0.771
Jobs ratio	-0.045	0.063	0.471	-0.140	0.067	0.038	-0.022	0.067	0.741
Poverty rate	-0.856	0.406	0.035	-2.283	0.468	0.000	-1.119	0.455	0.014
<i>Economic capacity</i>									
Population	4.69E-06	7.30E-07	0.000	1.78E-06	4.43E-07	0.000	1.81E-06	4.03E-07	0.000
Population density	-3.11E-05	2.71E-05	0.252	-6.24E-05	2.32E-05	0.007	-4.83E-05	2.47E-05	0.051
Service differentiation	1.29E-03	3.71E-04	0.000	2.32E-03	3.38E-04	0.000	3.86E-04	1.96E-04	0.049
Fragmentation	-2.83E-04	9.02E-05	0.002	-8.52E-05	9.87E-05	0.388	-5.76E-05	3.45E-05	0.095
Proportion of MSA pop.	1.427	0.298	0.000	2.031	0.273	0.000	0.953	0.173	0.000
Expenditure differentiation	6.82E-06	3.23E-06	0.035	9.27E-06	4.30E-06	0.031	-1.39E-08	2.42E-08	0.566
Median house value	2.17E-06	4.38E-07	0.000	-1.67E-07	2.95E-07	0.571	-8.52E-08	3.06E-07	0.781
<i>Region</i>									
Northeast	-0.340	0.120	0.005	-0.345	0.115	0.003	0.472	0.130	0.000
Midwest	-0.466	0.092	0.000	-0.399	0.087	0.000	-0.002	0.102	0.984
South	-0.653	0.085	0.000	-0.585	0.076	0.000	-0.228	0.087	0.009
<i>Constant</i>									
	0.865	0.226	0.000	1.063	0.216	0.000	0.597	0.230	0.009

Table 3: Parameter estimates for municipal participation in state public welfare, health and housing intergovernmental programs, 2007 (4125 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State intergovernmental payments	1.335	1.029	0.194	-4.038	0.650	0.000	-4.201	2.942	0.153
Central city	0.272	0.237	0.251	0.446	0.145	0.002	0.231	0.106	0.030
<i>Participation in state IGRs by other units</i>									
County	-0.218	0.183	0.233	-0.032	0.118	0.787	0.247	0.074	0.001
Special districts	-0.052	0.397	0.895	0.069	0.115	0.548	0.148	0.067	0.027
Townships	1.088	0.311	0.000	0.461	0.140	0.001	0.345	0.117	0.003
Other munis	0.558	0.198	0.005	0.885	0.118	0.000	0.203	0.073	0.005
<i>Political</i>									
% nonwhite	0.410	0.416	0.325	0.351	0.202	0.082	-0.009	0.155	0.954
Homeownership	-1.394	0.854	0.103	-1.101	0.429	0.010	-1.217	0.357	0.001
Over 65	0.015	0.018	0.403	0.009	0.009	0.311	0.011	0.007	0.093
College graduate	-0.730	0.811	0.368	-0.142	0.389	0.716	-0.157	0.344	0.648
Jobs ratio	-0.574	0.255	0.025	0.040	0.116	0.729	-0.106	0.117	0.366
Poverty rate	-2.231	1.865	0.232	0.063	0.954	0.947	1.373	0.678	0.043
<i>Economic capacity</i>									
Population	1.84E-06	7.66E-07	0.017	1.13E-06	3.95E-07	0.004	6.54E-07	2.26E-07	0.004
Population density	-2.56E-04	9.28E-05	0.006	2.65E-05	3.64E-05	0.467	-1.86E-05	3.17E-05	0.556
Median house value	-3.71E-07	1.46E-06	0.800	1.23E-06	5.27E-07	0.020	-2.34E-07	5.32E-07	0.660
Administrative employment	0.271	0.080	0.001	0.010	0.050	0.842	0.046	0.040	0.249
Service differentiation	3.50E-04	4.15E-04	0.399	-9.12E-05	1.17E-04	0.435	-4.12E-04	2.69E-04	0.126
Fragmentation	-8.35E-05	1.48E-04	0.574	-2.44E-04	7.61E-05	0.001	-2.05E-04	6.49E-05	0.002
% of MSA pop.	0.788	0.501	0.115	0.518	0.286	0.070	0.192	0.222	0.387
Expenditure differentiation	1.80E-06	5.05E-07	0.000	-6.13E-09	3.71E-08	0.869	-8.66E-08	7.00E-08	0.216
<i>Constant</i>	-0.060	0.813	0.941	-0.913	0.382	0.017	-0.436	0.327	0.182

Table 4: Parameter estimates for municipal participation in state health and hospital intergovernmental revenue programs, 1997-2007

	1997			2002			2007		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State intergovernmental payments	-3.56E-04	1.47E-03	0.809	-2.17E-03	4.32E-04	0.000	-4.038	0.650	0.000
Central city	0.486	0.144	0.001	0.047	0.096	0.623	0.446	0.145	0.002
<i>Participation in state IGRs by other units</i>									
County	-0.190	0.110	0.084	0.179	0.089	0.045	-0.032	0.118	0.787
Special districts	-0.096	0.112	0.394	0.240	0.076	0.001	0.069	0.115	0.548
Townships	0.599	0.151	0.000	0.134	0.080	0.092	0.461	0.140	0.001
Other munis	0.459	0.111	0.000	0.397	0.089	0.000	0.885	0.118	0.000
<i>Political</i>									
% nonwhite	0.098	0.272	0.720	-0.129	0.142	0.363	0.351	0.202	0.082
Homeownership	-0.047	0.394	0.905	0.072	0.339	0.831	-1.101	0.429	0.010
Over 65	0.011	0.008	0.173	0.006	0.006	0.339	0.009	0.009	0.311
College graduate	1.114	0.442	0.012	0.139	0.295	0.638	-0.142	0.389	0.716
Jobs ratio	-0.046	0.118	0.694	-0.139	0.107	0.191	0.040	0.116	0.729
Poverty rate	1.489	0.777	0.055	2.112	0.673	0.002	0.063	0.954	0.947
<i>Economic capacity</i>									
Population	1.54E-06	4.64E-07	0.001	9.74E-07	3.53E-07	0.006	1.13E-06	3.95E-07	0.004
Population density	6.94E-05	3.57E-05	0.052	1.25E-05	2.65E-05	0.637	2.65E-05	3.64E-05	0.467
Median house value	-3.17E-06	9.18E-07	0.001	1.20E-07	3.68E-07	0.743	1.23E-06	5.27E-07	0.020
Administrative employment	-0.012	0.052	0.813	-0.027	0.034	0.429	0.010	0.050	0.842
Service differentiation	-1.02E-04	3.37E-04	0.763	-4.41E-04	3.49E-04	0.207	-9.12E-05	1.17E-04	0.435
Fragmentation	-2.60E-04	1.84E-04	0.158	-1.95E-04	1.25E-04	0.118	-2.44E-04	7.61E-05	0.001
% of MSA pop.	0.214	0.361	0.553	-0.015	0.322	0.964	0.518	0.286	0.070
Expenditure differentiation	5.03E-06	5.23E-06	0.335	1.09E-05	4.42E-06	0.014	-6.13E-09	3.71E-08	0.869
<i>Constant</i>	-1.306	0.384	0.001	-0.474	0.285	0.096	-0.913	0.382	0.017

Table A1: Parameter estimates for municipal provision models of public welfare, health and housing, 1997 (3860 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	6.198	1.348	0.000	-0.782	0.241	0.001	1.148	0.180	0.000
Municipal autonomy State	0.017	0.019	0.380	-0.011	0.014	0.416	-0.032	0.017	0.055
intergovernmental payments	-0.006	0.001	0.000	-0.005	0.001	0.000	0.005	0.008	0.546
<i>Provision by other local units</i>									
County	-0.412	0.102	0.000	-0.236	0.121	0.051	0.060	0.059	0.310
Special district	-0.498	0.337	0.140	-0.082	0.051	0.106	0.332	0.083	0.000
Township	0.518	0.089	0.000	0.466	0.076	0.000	-0.149	0.084	0.076
Other munis	0.620	0.064	0.000	0.385	0.075	0.000	0.064	0.081	0.430
<i>Political</i>									
% nonwhite	0.604	0.206	0.003	0.256	0.163	0.115	0.426	0.183	0.020
Homeownership	-1.368	0.255	0.000	-0.807	0.202	0.000	-1.080	0.222	0.000
Over 65	-0.008	0.005	0.113	0.004	0.004	0.297	-0.007	0.004	0.134
College graduate	-0.531	0.310	0.087	-0.621	0.232	0.008	-0.642	0.269	0.017
Jobs ratio	-0.027	0.082	0.744	-0.045	0.063	0.471	0.124	0.068	0.068
Poverty rate	-0.847	0.497	0.088	-0.856	0.406	0.035	0.539	0.449	0.230
<i>Economic capacity</i>									
Population	8.06E-07	2.56E-07	0.002	4.69E-06	7.30E-07	0.000	2.96E-05	1.80E-06	0.000
Population density	2.35E-05	3.43E-05	0.493	-3.11E-05	2.71E-05	0.252	-2.69E-05	3.03E-05	0.375
Service differentiation	1.62E-04	1.88E-04	0.387	1.29E-03	3.71E-04	0.000	-6.86E-06	1.97E-04	0.972
Fragmentation	-7.21E-04	1.17E-04	0.000	-2.83E-04	9.02E-05	0.002	-1.08E-04	1.01E-04	0.286
Proportion of MSA pop.	1.607	0.242	0.000	1.427	0.298	0.000	5.468	0.790	0.000
Expenditure differentiation	8.62E-06	8.01E-06	0.282	6.82E-06	3.23E-06	0.035	3.22E-07	4.32E-06	0.941
Median house value	3.04E-06	6.30E-07	0.000	2.17E-06	4.38E-07	0.000	1.72E-09	5.23E-07	0.997
<i>Region</i>									
Northeast	0.869	0.140	0.000	-0.340	0.120	0.005	-0.712	0.121	0.000
Midwest	-0.112	0.120	0.347	-0.466	0.092	0.000	-0.947	0.094	0.000
South	-0.214	0.110	0.052	-0.653	0.085	0.000	-1.035	0.098	0.000
<i>Constant</i>									
	0.030	0.247	0.903	0.865	0.226	0.000	-0.032	0.246	0.896

Table A2: Parameter estimates for municipal provision models of public welfare, health and housing, 2002 (4155 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	3.937	1.030	0.000	-0.311	0.238	0.192	0.720	0.153	0.000
Municipal autonomy	-0.005	0.019	0.778	-0.014	0.012	0.236	-0.075	0.016	0.000
State intergovernmental payments	-0.004	0.001	0.000	0.002	0.000	0.000	-0.002	0.003	0.528
<i>Provision by other local units</i>									
County	-0.625	0.086	0.000	-0.467	0.089	0.000	0.062	0.054	0.251
Special district	-0.209	0.236	0.374	-0.138	0.052	0.008	0.397	0.064	0.000
Township	0.380	0.090	0.000	0.221	0.074	0.003	0.082	0.091	0.370
Other munis	0.285	0.063	0.000	0.303	0.063	0.000	0.020	0.077	0.796
<i>Political</i>									
% nonwhite	0.208	0.161	0.197	0.370	0.111	0.001	-0.255	0.125	0.042
Homeownership	-1.255	0.300	0.000	-1.294	0.214	0.000	-1.797	0.235	0.000
Over 65	0.006	0.006	0.292	0.008	0.004	0.044	0.012	0.004	0.006
College graduate	0.380	0.309	0.218	-0.209	0.211	0.322	-0.067	0.240	0.781
Jobs ratio	-0.030	0.095	0.755	-0.140	0.067	0.038	0.071	0.072	0.324
Poverty rate	-0.300	0.624	0.630	-2.283	0.468	0.000	0.721	0.494	0.144
<i>Economic capacity</i>									
Population	1.39E-06	3.06E-07	0.000	1.78E-06	4.43E-07	0.000	2.33E-05	1.54E-06	0.000
Population density	1.93E-06	2.99E-05	0.948	-6.24E-05	2.32E-05	0.007	-1.18E-06	2.89E-05	0.967
Service differentiation	1.33E-03	3.36E-04	0.000	2.32E-03	3.38E-04	0.000	1.21E-03	3.88E-04	0.002
Fragmentation	-3.40E-04	1.34E-04	0.011	-8.52E-05	9.87E-05	0.388	3.93E-04	1.12E-04	0.000
Proportion of MSA pop.	1.169	0.258	0.000	2.031	0.273	0.000	2.222	0.544	0.000
Expenditure differentiation	-3.39E-05	1.58E-05	0.032	9.27E-06	4.30E-06	0.031	6.36E-06	6.01E-06	0.290
Median house value	-8.34E-08	5.56E-07	0.881	-1.67E-07	2.95E-07	0.571	-1.05E-06	3.45E-07	0.002
<i>Region</i>									
Northeast	0.241	0.141	0.087	-0.345	0.115	0.003	-0.595	0.132	0.000
Midwest	-0.018	0.125	0.885	-0.399	0.087	0.000	-1.190	0.090	0.000
South	-0.098	0.107	0.362	-0.585	0.076	0.000	-1.163	0.095	0.000
<i>Constant</i>	-0.028	0.280	0.920	1.063	0.216	0.000	0.616	0.242	0.011



Table A3: Parameter estimates for municipal provision models of public welfare, 1997- 2007

	1997			2002			2007		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	6.198	1.348	0.000	3.937	1.030	0.000	3.837	1.936	0.047
Municipal autonomy	0.017	0.019	0.380	-0.005	0.019	0.778	-0.046	0.018	0.011
State intergovernmental payments	-0.006	0.001	0.000	-0.004	0.001	0.000	-2.709	0.361	0.000
<i>Provision by other local units</i>									
County	-0.412	0.102	0.000	-0.625	0.086	0.000	-0.510	0.088	0.000
Special district	-0.498	0.337	0.140	-0.209	0.236	0.374	-0.532	0.192	0.006
Township	0.518	0.089	0.000	0.380	0.090	0.000	0.420	0.084	0.000
Other munis	0.620	0.064	0.000	0.285	0.063	0.000	0.405	0.065	0.000
<i>Political</i>									
% nonwhite	0.604	0.206	0.003	0.208	0.161	0.197	0.222	0.164	0.176
Homeownership	-1.368	0.255	0.000	-1.255	0.300	0.000	-0.829	0.290	0.004
Over 65	-0.008	0.005	0.113	0.006	0.006	0.292	0.011	0.006	0.048
College graduate	-0.531	0.310	0.087	0.380	0.309	0.218	0.253	0.300	0.400
Jobs ratio	-0.027	0.082	0.744	-0.030	0.095	0.755	0.085	0.085	0.321
Poverty rate	-0.847	0.497	0.088	-0.300	0.624	0.630	-0.446	0.645	0.489
<i>Economic capacity</i>									
Population	8.06E-07	2.56E-07	0.002	1.39E-06	3.06E-07	0.000	9.06E-07	2.08E-07	0.000
Population density	2.35E-05	3.43E-05	0.493	1.93E-06	2.99E-05	0.948	2.68E-06	3.09E-05	0.931
Service differentiation	1.62E-04	1.88E-04	0.387	1.33E-03	3.36E-04	0.000	4.08E-05	8.22E-05	0.620
Fragmentation	-7.21E-04	1.17E-04	0.000	-3.40E-04	1.34E-04	0.011	-2.20E-04	5.16E-05	0.000
Proportion of MSA pop.	1.606948	0.242116	0.000	1.168755	0.2575417	0.000	0.9560269	0.1710088	0.000
Expenditure differentiation	8.62E-06	8.01E-06	0.282	-3.39E-05	1.58E-05	0.032	-6.88E-08	6.67E-08	0.302
Median house value	3.04E-06	6.30E-07	0.000	-8.34E-08	5.56E-07	0.881	7.95E-07	5.09E-07	0.118
<i>Region</i>									
Northeast	0.869	0.140	0.000	0.241	0.141	0.087	0.202	0.131	0.124
Midwest	-0.112	0.120	0.347	-0.018	0.125	0.885	-0.150	0.121	0.215
South	-0.214	0.110	0.052	-0.098	0.107	0.362	-0.071	0.110	0.519
Constant	0.030	0.247	0.903	-0.028	0.280	0.920	-0.517	0.278	0.063

Table A4: Parameter estimates for municipal provision models of housing and community development, 1997- 2007

	1997			2002			2007		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
Municipal share of S&L expend.	1.148	0.180	0.000	0.720	0.153	0.000	0.872	0.182	0.000
Municipal autonomy	-0.032	0.017	0.055	-0.075	0.016	0.000	-0.037	0.015	0.016
State intergovernmental payments	0.005	0.008	0.546	-0.002	0.003	0.528	8.063	2.759	0.003
<i>Provision by other local units</i>									
County	0.060	0.059	0.310	0.062	0.054	0.251	0.006	0.056	0.913
Special district	0.332	0.083	0.000	0.397	0.064	0.000	0.215	0.070	0.002
Township	-0.149	0.084	0.076	0.082	0.091	0.370	0.255	0.094	0.006
Other munis	0.064	0.081	0.430	0.020	0.077	0.796	0.141	0.083	0.091
<i>Political</i>									
% nonwhite	0.426	0.183	0.020	-0.255	0.125	0.042	0.253	0.128	0.047
Homeownership	-1.080	0.222	0.000	-1.797	0.235	0.000	-1.515	0.226	0.000
Over 65	-0.007	0.004	0.134	0.012	0.004	0.006	0.003	0.004	0.454
College graduate	-0.642	0.269	0.017	-0.067	0.240	0.781	-0.162	0.241	0.501
Jobs ratio	0.124	0.068	0.068	0.071	0.072	0.324	0.279	0.068	0.000
Poverty rate	0.539	0.449	0.230	0.721	0.494	0.144	1.358	0.482	0.005
<i>Economic capacity</i>									
Population	2.96E-05	1.80E-06	0.000	2.33E-05	1.54E-06	0.000	2.01E-05	1.35E-06	0.000
Population density	-2.69E-05	3.03E-05	0.375	-1.18E-06	2.89E-05	0.967	2.57E-05	2.90E-05	0.376
Service differentiation	-6.86E-06	1.97E-04	0.972	1.21E-03	3.88E-04	0.002	-1.20E-04	8.71E-05	0.170
Fragmentation	-1.08E-04	1.01E-04	0.286	3.93E-04	1.12E-04	0.000	-1.45E-04	4.18E-05	0.001
Proportion of MSA pop.	5.47E+00	7.90E-01	0.000	2.22E+00	5.44E-01	0.000	1.55E+00	3.32E-01	0.000
Expenditure differentiation	3.22E-07	4.32E-06	0.941	6.36E-06	6.01E-06	0.290	-5.19E-08	2.69E-08	0.054
Median house value	1.72E-09	5.23E-07	0.997	-1.05E-06	3.45E-07	0.002	-6.83E-07	3.45E-07	0.048
<i>Region</i>									
Northeast	-0.712	0.121	0.000	-0.595	0.132	0.000	-1.142	0.136	0.000
Midwest	-0.947	0.094	0.000	-1.190	0.090	0.000	-0.778	0.090	0.000
South	-1.035	0.098	0.000	-1.163	0.095	0.000	-1.019	0.093	0.000
<i>Constant</i>	-0.032	0.246	0.896	0.616	0.242	0.011	0.414	0.243	0.089

Table A5: Parameter estimates for municipal participation in state public welfare, health and housing intergovernmental programs, 1997 (3860 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State intergovernmental payments	-1.39E-03	7.21E-04	0.054	-3.56E-04	1.47E-03	0.809	-1.03E-02	9.17E-03	0.260
Central city	0.803	0.189	0.000	0.486	0.144	0.001	0.233	0.111	0.035
<i>Participation in state IGRs by other units</i>									
County	-0.684	0.145	0.000	-0.190	0.110	0.084	0.101	0.081	0.213
Special districts	-4.354	1125.235	0.997	-0.096	0.112	0.394	-0.007	0.079	0.931
Townships	0.152	0.195	0.437	0.599	0.151	0.000	0.493	0.126	0.000
Other munis	0.634	0.190	0.001	0.459	0.111	0.000	0.414	0.077	0.000
<i>Political</i>									
% nonwhite	0.244	0.408	0.550	0.098	0.272	0.720	-0.196	0.231	0.398
Homeownership	-0.703	0.502	0.161	-0.047	0.394	0.905	-1.216	0.361	0.001
Over 65	-0.009	0.013	0.517	0.011	0.008	0.173	-0.014	0.008	0.063
College graduate	-0.132	0.673	0.845	1.114	0.442	0.012	-1.166	0.413	0.005
Jobs ratio	-0.272	0.172	0.115	-0.046	0.118	0.694	0.034	0.110	0.758
Poverty rate	-1.820	1.184	0.124	1.489	0.777	0.055	0.586	0.634	0.356
<i>Economic capacity</i>									
Population	1.15E-06	6.62E-07	0.083	1.54E-06	4.64E-07	0.001	3.37E-07	1.95E-07	0.084
Population density	6.90E-05	4.76E-05	0.147	6.94E-05	3.57E-05	0.052	-8.88E-06	3.56E-05	0.803
Median house value	-1.18E-06	1.56E-06	0.450	-3.17E-06	9.18E-07	0.001	-4.94E-07	7.65E-07	0.519
Administrative employment	7.81E-02	6.17E-02	0.206	-1.23E-02	5.20E-02	0.813	-4.15E-02	4.89E-02	0.395
Service differentiation	-8.08E-04	7.06E-04	0.253	-1.02E-04	3.37E-04	0.763	6.78E-04	3.88E-04	0.081
Fragmentation	-3.48E-04	2.71E-04	0.199	-2.60E-04	1.84E-04	0.158	-2.82E-04	1.37E-04	0.040
% of MSA pop.	-0.359	0.489	0.464	0.214	0.361	0.553	0.391	0.303	0.198
Expenditure differentiation	2.48E-05	1.35E-05	0.065	5.03E-06	5.23E-06	0.335	3.60E-06	3.99E-06	0.366
<i>Constant</i>	0.881	0.448	0.049	-1.306	0.384	0.001	0.000	0.329	0.999

Table A6: Parameter estimates for municipal participation in state public welfare, health and housing intergovernmental programs, 2002 (4155 observations)

	Public welfare			Health and hospitals			Housing and community development		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State intergovernmental payments	3.52E-04	6.40E-04	0.582	-2.17E-03	4.32E-04	0.000	-1.56E-03	4.65E-03	0.737
Central city	0.124	0.174	0.474	0.047	0.096	0.623	0.336	0.115	0.003
<i>Participation in state IGRs by other units</i>									
County	-0.310	0.161	0.054	0.179	0.089	0.045	0.153	0.075	0.042
Special districts	-0.529	0.361	0.143	0.240	0.076	0.001	0.170	0.081	0.035
Townships	0.770	0.237	0.001	0.134	0.080	0.092	0.305	0.105	0.004
Other munis	0.063	0.143	0.661	0.397	0.089	0.000	0.697	0.080	0.000
<i>Political</i>									
% nonwhite	1.470	0.393	0.000	-0.129	0.142	0.363	-0.102	0.173	0.555
Homeownership	-0.550	0.759	0.468	0.072	0.339	0.831	-0.352	0.416	0.398
Over 65	0.033	0.014	0.022	0.006	0.006	0.339	0.013	0.007	0.074
College graduate	0.857	0.689	0.214	0.139	0.295	0.638	-0.249	0.394	0.527
Jobs ratio	-0.146	0.256	0.568	-0.139	0.107	0.191	-0.084	0.136	0.536
Poverty rate	-2.694	1.517	0.076	2.112	0.673	0.002	0.702	0.800	0.380
<i>Economic capacity</i>									
Population	4.88E-07	4.41E-07	0.268	9.74E-07	3.53E-07	0.006	3.26E-07	1.74E-07	0.060
Population density	-1.16E-04	7.04E-05	0.098	1.25E-05	2.65E-05	0.637	-2.02E-05	3.53E-05	0.566
Median house value	-2.43E-06	1.57E-06	0.121	1.20E-07	3.68E-07	0.743	-2.04E-06	8.24E-07	0.013
Administrative employment	0.148	0.077	0.054	-0.027	0.034	0.429	-0.001	0.047	0.988
Service differentiation	-5.51E-04	4.68E-04	0.239	-4.41E-04	3.49E-04	0.207	6.14E-04	3.58E-04	0.086
Fragmentation	2.61E-04	2.57E-04	0.311	-1.95E-04	1.25E-04	0.118	-5.11E-04	1.50E-04	0.001
% of MSA pop.	-4.13E-01	4.70E-01	0.379	-1.46E-02	3.22E-01	0.964	7.82E-02	3.36E-01	0.816
Expenditure differentiation	-5.91E-05	4.02E-05	0.142	1.09E-05	4.42E-06	0.014	-1.34E-05	6.71E-06	0.045
<i>Constant</i>	0.466	0.603	0.440	-0.474	0.285	0.096	-0.769	0.386	0.046

Table A7: Parameter estimates for municipal participation in state public welfare intergovernmental revenue programs, 1997-2007

	1997			2002			2007		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State									
intergovernmental payments	-0.001	0.001	0.054	0.000	0.001	0.582	1.335	1.029	0.194
Central city	0.803	0.189	0.000	0.124	0.174	0.474	0.272	0.237	0.251
<i>Participation in state IGRs by other units</i>									
County	-0.684	0.145	0.000	-0.310	0.161	0.054	-0.218	0.183	0.233
Special districts	-4.354	1125.235	0.997	-0.529	0.361	0.143	-0.052	0.397	0.895
Townships	0.152	0.195	0.437	0.770	0.237	0.001	1.088	0.311	0.000
Other munis	0.634	0.190	0.001	0.063	0.143	0.661	0.558	0.198	0.005
<i>Political</i>									
% nonwhite	0.244	0.408	0.550	1.470	0.393	0.000	0.410	0.416	0.325
Homeownership	-0.703	0.502	0.161	-0.550	0.759	0.468	-1.394	0.854	0.103
Over 65	-0.009	0.013	0.517	0.033	0.014	0.022	0.015	0.018	0.403
College graduate	-0.132	0.673	0.845	0.857	0.689	0.214	-0.730	0.811	0.368
Jobs ratio	-0.272	0.172	0.115	-0.146	0.256	0.568	-0.574	0.255	0.025
Poverty rate	-1.820	1.184	0.124	-2.694	1.517	0.076	-2.231	1.865	0.232
<i>Economic capacity</i>									
Population	1.15E-06	6.62E-07	0.083	4.88E-07	4.41E-07	0.268	1.84E-06	7.66E-07	0.017
Population density	6.90E-05	4.76E-05	0.147	-1.16E-04	7.04E-05	0.098	-2.56E-04	9.28E-05	0.006
Median house value	-1.18E-06	1.56E-06	0.450	-2.43E-06	1.57E-06	0.121	-3.71E-07	1.46E-06	0.800
Administrative employment	0.078	0.062	0.206	0.148	0.077	0.054	0.271	0.080	0.001
Service differentiation	-8.08E-04	7.06E-04	0.253	-5.51E-04	4.68E-04	0.239	3.50E-04	4.15E-04	0.399
Fragmentation	-3.48E-04	2.71E-04	0.199	2.61E-04	2.57E-04	0.311	-8.35E-05	1.48E-04	0.574
% of MSA pop.	-3.59E-01	4.89E-01	0.464	-4.13E-01	4.70E-01	0.379	7.88E-01	5.01E-01	0.115
Expenditure differentiation	2.48E-05	1.35E-05	0.065	-5.91E-05	4.02E-05	0.142	1.80E-06	5.05E-07	0.000
<i>Constant</i>	0.881	0.448	0.049	0.466	0.603	0.440	-0.060	0.813	0.941

Table A8: Parameter estimates for municipal participation in state housing and community development intergovernmental revenue programs, 1997-2007

	1997			2002			2007		
	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value	Coefficient	Standard error	P-value
<i>Intergovernmental</i>									
State									
intergovernmental payments	-0.010	0.009	0.260	-0.002	0.005	0.737	-4.201	2.942	0.153
Central city	0.233	0.111	0.035	0.336	0.115	0.003	0.231	0.106	0.030
<i>Participation in state IGRs by other units</i>									
County	0.101	0.081	0.213	0.153	0.075	0.042	0.247	0.074	0.001
Special districts	-0.007	0.079	0.931	0.170	0.081	0.035	0.148	0.067	0.027
Townships	0.493	0.126	0.000	0.305	0.105	0.004	0.345	0.117	0.003
Other munis	0.414	0.077	0.000	0.697	0.080	0.000	0.203	0.073	0.005
<i>Political</i>									
% nonwhite	-0.196	0.231	0.398	-0.102	0.173	0.555	-0.009	0.155	0.954
Homeownership	-1.216	0.361	0.001	-0.352	0.416	0.398	-1.217	0.357	0.001
Over 65	-0.014	0.008	0.063	0.013	0.007	0.074	0.011	0.007	0.093
College graduate	-1.166	0.413	0.005	-0.249	0.394	0.527	-0.157	0.344	0.648
Jobs ratio	0.034	0.110	0.758	-0.084	0.136	0.536	-0.106	0.117	0.366
Poverty rate	0.586	0.634	0.356	0.702	0.800	0.380	1.373	0.678	0.043
<i>Economic capacity</i>									
Population	3.37E-07	1.95E-07	0.084	3.26E-07	1.74E-07	0.060	6.54E-07	2.26E-07	0.004
Population density	-8.88E-06	3.56E-05	0.803	-2.02E-05	3.53E-05	0.566	-1.86E-05	3.17E-05	0.556
Median house value	-4.94E-07	7.65E-07	0.519	-2.04E-06	8.24E-07	0.013	-2.34E-07	5.32E-07	0.660
Administrative employment	-0.042	0.049	0.395	-0.001	0.047	0.988	0.046	0.040	0.249
Service differentiation	6.78E-04	3.88E-04	0.081	6.14E-04	3.58E-04	0.086	-4.12E-04	2.69E-04	0.126
Fragmentation	-2.82E-04	1.37E-04	0.040	-5.11E-04	1.50E-04	0.001	-2.05E-04	6.49E-05	0.002
% of MSA pop.	3.91E-01	3.03E-01	0.198	7.82E-02	3.36E-01	0.816	0.192	0.222	0.387
Expenditure differentiation	3.60E-06	3.99E-06	0.366	-1.34E-05	6.71E-06	0.045	-8.66E-08	7.00E-08	0.216
<i>Constant</i>	3.96E-04	0.329	0.999	-0.769	0.386	0.046	-0.436	0.327	0.182