

# Government Grants

**William Oakland, "Recognizing and Correcting for Fiscal Disparities: A Critical Analysis," Chap 1, pp 1-20, in John E. Anderson (ed), *Fiscal Equalization for State and Local Government Finance*, 1994.**

**Andrew Recshovsky, "Fiscal Equalization and School Finance," *National Tax Journal*, Mar 1994, pp 185-198.**

**E. Kathleen Adams and Marcia Wade, "Fiscal Response to a Matching Grant: Medicaid Expenditures and Enrollments, 1984-1992.**

*Although the federal Medicaid matching formula was designed to decrease disparities in state Medicaid expenditures, significant inequities persisted throughout the 1980s. A potential reason for this is that states may substitute federal for state funds and hence, expenditures in low-spending states are not stimulated. This study uses a fixed-effects model on pooled state enrollment and expenditure data from 1984 to 1992 to examine the fiscal response of states to the Medicaid matching grant. Results indicate that states' response to the grant was to raise fewer own-tax dollars but still spend more by using federal funds. Findings have implications for current deliberations on grant structures for Medicaid and other federal and state programs that affect low-income populations.*

**Ronald C. Fisher and Leslie E. Papke, "Local Government Responses to Education Grants," *National Tax Journal*, March 2000, 153-168.**

*Provides a primer for policymakers about the economics of education grants and draws implications for school finance reform. Includes an overview of the types of education grants that states and the federal government have used to aid local spending and summarizes findings from states' experiences with different forms of education finance.*

**(Ph.D.) Richard Tresch, *Public Finance: A Normative Theory*, 2002, Chapters 31.**

**Peter Mitias and Geoffrey Turnbull, 2001, "Grant Illusion, Tax Illusion, and Local Government Spending", *Public Finance Review*, 29 (5): 347-68.**

*Tax and grant illusion are envisioned as alternative forms of fiscal illusion in the literature, with differing implications for local government spending. This article shows that tax and grant illusion, previously thought to be separate sources of fiscal illusion, are in fact interdependent. It presents a method for identifying the relevant (if any) form of fiscal illusion, exploiting the theoretical relationships to directly estimate perception parameters. The estimates reveal that county spending is affected by the traditional depiction of grant illusion rather than tax illusion.*

**Ron Fisher, "Income and Grants Effects on Local Expenditures: The Flypaper Effect and Other Difficulties," *Journal of Urban Economics*, 1982, pp. 324-45.**

**Edward Gramlich, "Intergovernmental Grants: A Review of the Empirical Literature" in *Political Economy of Fiscal Federalism*, Oates (ed.), Chapter 12.**