

FIGURE S1 SUPPLEMENT: REVENUE VERSUS EXPENDITURE DECENTRALIZATION

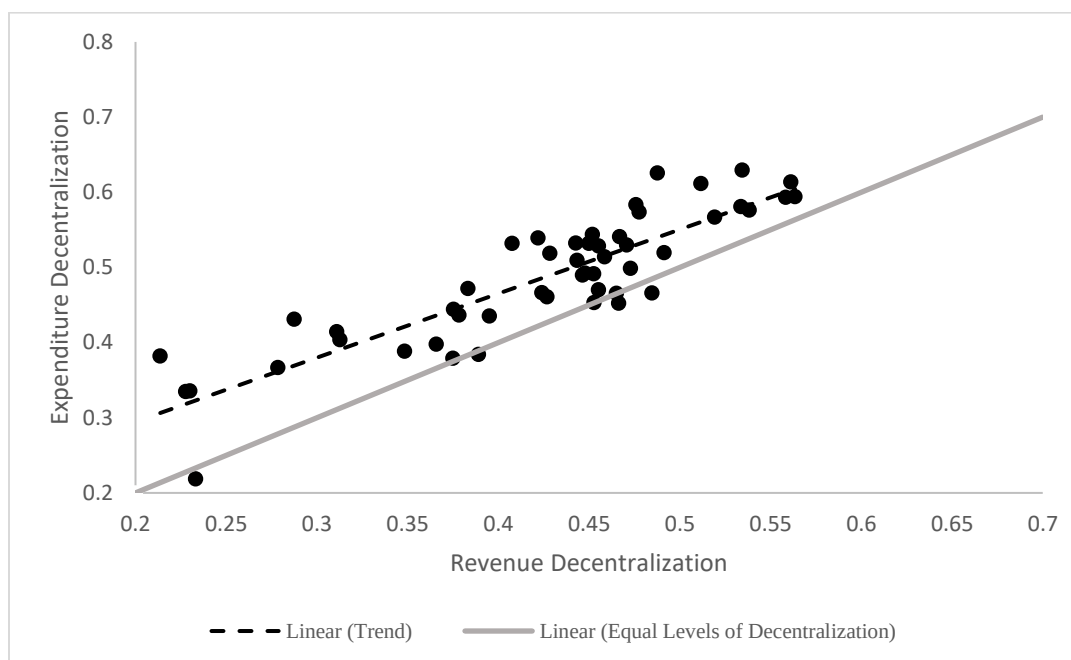


TABLE S1 SUPPLEMENT: DEFINING & INTERPRETING VARIABLES OF INTEREST

	Variable	Calculation	Interpretation
<i>Dependent</i>	Current Ratio	Current Assets / Current Liabilities	Lower number, worse financial condition
	Operating Ratio	Total Revenues / Total Expenditures	Lower number, worse financial condition
	Net Asset Ratio	(Restricted Net Assets + Unrestricted Net Assets) / Total Assets	Lower number, worse financial condition
	Long-term Liability Ratio	Non-current Liabilities / Total Assets	Higher number, worse financial condition
<i>Independent</i>	Revenue Decentralization	Local Own-Source General Revenues / State & Local Own-Source General Revenues	Higher number, more decentralized
	Expenditure Decentralization	Local Direct Expenditures / State & Local Direct Expenditures	Higher number, more decentralized

Variable	Source	Mean	Overall Min	Overall Max	Overall Std. Dev.
<u>Dependent Variables</u>					
Current Ratio	CAFR	3.34	0.98	14.39	2.31
Operating Ratio	CAFR	1.04	0.34	2.08	0.60
Net Asset Ratio	CAFR	0.07	-1.40	0.82	0.60
Long Term Liability Ratio	CAFR	0.35	0.02	2.04	0.60
<u>Independent Variables</u>					
Revenue Decentralization	CAFR	0.42	0.14	0.68	0.60
Expenditure Decentralization	CAFR	0.49	0.21	0.67	0.60
<u>Economic Controls</u>					
Unemployment	Federal Reserve	6.49	2.61	13.78	2.31
Real State Gross Product	Federal Reserve	292600	25222	2055578	351000
Total Expenditures (in millions)	CAFR	31241	2785.84	234577	36000
Median Household Income	American Community Survey	55143	38305	77850	9000
Gini Coefficient	American Community Survey	0.45	0.40	0.51	0.06
<u>Demographic Controls</u>					
Population	U.S. Census	6114657	514157	38400000	674000
Black Population	U.S. Census	790767	3899	3452894	93900
Population Density	American Community Survey	193.96	1.20	1210.10	2500
Pop. % Under 18	American Community Survey	0.24	0.20	0.32	0.06
Pop. % over 65	American Community Survey	0.13	0.07	0.19	0.06
Pop. % w/ Bach. or Grad. Degree	American Community Survey	0.18	0.11	0.28	0.06
<u>Political Controls</u>					
Citizen Ideology	Berry et al (1998)	52.97	13.48	93.25	11.00
State Government Ideology	Berry et al. (2010)	49.12	0.00	92.45	20.00

[illegible]

Black Population	0.00	0.00	0.00	0.00	5.37e-07**	0.00	-7.57e-07***	0.00
Population Density	-0.01	0.01	0.00	0.00	-0.00992***	0.00	0.0108***	0.00
Pop. % Under 18	6.92	10.67	-0.04	1.34	6.142**	1.80	-4.007***	0.62
Pop. % over 65	93.73***	26.54	-3.783*	1.70	8.544**	2.77	-5.998***	1.01
Pop. % w/ Bach. or Grad. Degree	-13.44	19.41	2.72	2.09	-3.523**	1.30	1.161***	0.28
<u>Political Controls</u>								
Citizen Ideology	0.00	0.01	-0.00274***	0.00	0.00	0.00	0.00	0.00
State Government Ideology	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Constant	-43.18**	17.62	5.23	3.78	-2.45	1.98	-1.551**	0.59
Observations	400		400		400		400	
Number of groups	50		50		50		50	
Within R2	0.152		0.2493		0.4146		0.5994	

*** p<0.01, ** p<0.05, * p<0.1