

BUDGETING A REVENUE NEVER RECEIVED: FIRST-YEAR ESTIMATES OF A SURCHARGE ACROSS 508 JURISDICTIONS

Ita Lestari*

¹Universitas Primagraha

*Corresponding author: italestari994@gmail.com

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ABSTRACT

Budget forecasting normally proceeds from a prior year. This article examines what governments do when there is none. Indonesia's Law No. 1 of 2022 gave every regency and city a surcharge on provincial vehicle taxation from 5 January 2025, and the budgets adopted for that year contain the first estimates any of them had ever made of it. Using the national budget file for all 508 district-level jurisdictions, the article finds that the estimates are extraordinarily dispersed. Budgeted surcharge revenue amounts to IDR 31.71 trillion, or 24.30 per cent of all budgeted district tax revenue, but the share ranges from zero to 88.60 per cent with a coefficient of variation of 0.538. Fifty-four jurisdictions, one in ten, budgeted nothing at all for an entitlement conferred on them by statute. Dispersion is itself unevenly distributed: within Aceh the coefficient of variation is 0.761 and within Central Java 0.286, so provinces differ not only in how much their districts expect but in how much they agree. The article argues that a first-year estimate of a new instrument measures the estimating capacity of the government making it rather than the revenue it will receive, and that treating such estimates as forecasts of yield misreads what they are.

1. INTRODUCTION

A budget estimate is normally an argument from history. Last year the tax yielded a certain amount; conditions have changed in identifiable ways; therefore this year it will yield something adjacent. The reasoning is so routine that its dependence on a prior observation is easy to overlook.

Occasionally there is no prior observation. A new instrument arrives, and every government subject to it must state a number before any evidence exists. What they write down at that moment is unusually informative, because it cannot be an extrapolation. It must be a construction from whatever the government does have: the statutory formula, whatever it knows about the base, and whatever its neighbours appear to be doing.

Indonesia created such a moment. Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments conferred on every regency and city a surcharge equal to 66 per cent of the provincial motor vehicle tax and vehicle transfer duty arising in its territory, with effect from 5 January 2025. The budgets adopted for fiscal year 2025 therefore contain, for all 508 district-level jurisdictions simultaneously, a first estimate of a revenue stream none of them had ever received.

This article examines those estimates. The research gap is that public budgeting is studied through the adjustment of existing lines, and forecasting error is measured against outturn. Neither approach reaches the case where the line is new and no outturn exists to measure against. What can be observed instead is the dispersion of estimates across governments facing an identical task, and dispersion turns out to be large.

2. LITERATURE REVIEW

2.1 Estimation without a base rate

The budgeting literature treats incremental adjustment as the norm and departures from it as the phenomenon requiring explanation. That framing presupposes a base to increment. Where none exists, the process is not incremental adjustment under a different label; it is a different operation.

Two findings bear on what governments do instead. Nakatani (2024) shows that revenue decentralisation relates non-monotonically to fiscal crisis risk, which implies that the composition of a government's revenue changes how it responds to novelty rather than merely how much it has. Siwinska-Gorzelak, Bukowska and Wojcik (2020) find for Polish municipalities that revenue autonomy alters the composition of local spending, so a new autonomous revenue line is not fiscally equivalent to a transfer of the same size.

The estimation problem is sharpened by the structure of this particular instrument. A district cannot compute its surcharge from anything it administers, because the base is a provincial tax assessed on a register the province maintains. It can obtain the register, or the province can tell it, or it can guess from the size of its vehicle fleet. Which of these it does is not observable from the budget document, but the dispersion of the results is.

2.2 What determines a surcharge yield

The comparative literature identifies the quantities that determine what a surcharge produces, and each of them is a source of estimation error for a government making a first projection.

Baskaran (2021), exploiting a quasi-experiment in German local tax rates, shows that a rate change moves the base as well as the revenue, so a mechanical projection from a rate to a yield overstates. Agrawal and Shybalkina (2024) show that the administrative rule determining where local sales tax revenue is credited redistributes substantial sums independently of economic activity, so a district estimating from activity in its territory may be estimating the wrong quantity. Sen and Wallace (2022) show that revenue productivity under a shared instrument depends on collection effort the beneficiary does not control.

Anton (2024) sets out the conditions under which a shared instrument performs as intended, and Bonvecchi, Calvo and Stein (2020) show that fiscal instruments carry the residue of the legislative bargain that produced them. Together these establish that the quantity a district was asked to forecast depends on provincial rate choices, provincial valuation practice, provincial

collection effort and a crediting rule — four inputs, none of them within the district's knowledge at the time of estimation.

2.3 Dispersion as evidence about a common task

Where many organisations perform the same task under the same conditions, the spread of their outputs is evidence about the task and about them. The logic is familiar in performance measurement and is applied here to estimation rather than to delivery.

Kim (2023) finds that vertical fiscal imbalance in the American states responds to the institutional power of the executive over the budget rather than to fiscal need, which establishes that budget outputs carry information about the process that produced them. Across Indian states, Harikrishnan and Hiremath (2026) trace differences in social spending to the fiscal asymmetry between them. Ladner, Keuffer and Bastianen (2025), presenting the extended Local Autonomy Index, treat the capacity to make fiscal decisions as a measurable dimension distinct from the resources available.

The inference this article draws is correspondingly modest. Wide dispersion in first estimates of an identical instrument indicates that governments differed in what they knew, in whom they asked, or in how cautiously they wrote; it does not indicate which. What it does establish is that the estimates cannot all be good, since the underlying quantity does not vary across governments in the way the estimates do.

2.4 What a receiving government does with a new stream

A fourth body of work bears on why the estimate matters beyond its accuracy. A budgeted figure is not merely a prediction; it is the amount against which the council appropriates, and the literature on how subnational governments absorb external revenue shows that the appropriation shapes behaviour independently of the receipt.

Porto, Puig and Vidal (2026) find that subnational budgets adjust to transfer changes dynamically rather than immediately, so a first-year figure propagates into subsequent years. Saens, Cox and Villalobos (2026) find the flypaper effect conditioned by fiscal capacity, meaning that identical increments produce different spending responses in differently capable governments. Alves and Araujo (2024) and Bernardelli, Paschoalino, Russo and Kortt (2026) both find for Brazilian municipalities that transfers alter local fiscal incentives in ways their designers did not intend.

Singh and Dubey (2026) find for Indian states that the transmission of a fiscal shock depends on the composition of the affected revenue rather than on its magnitude, and Aikins (2023) shows that governments under fiscal stress draw on reserves in ways conditioned by their intergovernmental position. Applied here, these results imply that a district budgeting the surcharge at 80 per cent of its tax revenue and one budgeting it at 5 per cent have adopted different fiscal positions before a rupiah has arrived, and that the difference will persist whether or not the estimates prove accurate.

2.5 The research gap

The gap is that first-year estimates of a new instrument are rarely observable for many governments at once. Usually a new tax arrives in one jurisdiction, or arrives in several at different times, so the estimates cannot be compared. Here 508 governments estimated the same instrument, under the same statute, for the same year, and the results are published in a single file. This article reports the distribution.

3. METHOD

The data are the national local tax budget file for fiscal year 2025 published by the Directorate General of Fiscal Balance, which records budgeted revenue by tax object for all 546 regional governments. The file carries dedicated columns for the surcharge on motor vehicle tax and the surcharge on vehicle transfer duty alongside all other local tax objects and a total.

The 38 provincial rows were excluded. The surcharge is levied by regencies and cities, so provinces carry no surcharge entry by construction, and their inclusion would contaminate every distributional statistic. This leaves 508 district-level jurisdictions. The Special Capital Region of Jakarta contributes none of them, since its administrative cities and regency are not autonomous taxing units, so the provincial breakdown below has 37 rows rather than 38.

The measure used throughout is surcharge share: the sum of the two surcharge columns divided by the jurisdiction's total budgeted local tax revenue, expressed as a percentage. Distributional statistics use the sample standard deviation and linearly interpolated percentiles. All figures were reconciled against the file's own total rows and agree to the rupiah.

Four limitations apply and each is consequential. These are budget figures, not outturn, so nothing here reports what was collected. Fifty-four jurisdictions have a genuinely blank surcharge cell rather than a zero, and blank cannot be distinguished from a deliberate nil estimate in the source; they are treated as zero throughout and Section 4.5 examines them separately. The file records the original budget as at 28 May 2025 and does not capture subsequent revision. And a budget is a political document as well as a technical one, so an estimate may reflect what a government wished to appropriate rather than what it expected to receive.

4. RESULTS AND DISCUSSION

4.1 The aggregate position

Table 1 states the national totals. The surcharge is not a marginal addition to district finances; it is close to a quarter of all budgeted district tax revenue in its first year.

Table 1. Budgeted local tax revenue and surcharge, 508 district-level jurisdictions, FY2025

Item	IDR	Share of district total
Surcharge on motor vehicle tax	18,924,193,791,180	14.50%

Item	IDR	Share of district total
Surcharge on vehicle transfer duty	12,782,125,219,168	9.80%
Surcharge, both instruments	31,706,319,010,348	24.30%
All other budgeted local tax revenue	98,778,769,897,245	75.70%
Total budgeted district local tax revenue	130,485,088,907,593	100.00%

Source: Directorate General of Fiscal Balance, national local tax budget file for fiscal year 2025, as at 28 May 2025 (retrieved 2026). Province rows excluded. Figures reconcile to the file total to the rupiah. Shares computed by the authors.

The aggregate conceals what follows. A single national ratio of 24.30 per cent would be consistent with 508 jurisdictions each expecting roughly a quarter of their tax revenue from the surcharge. That is not what the file records.

4.2 The distribution of first estimates

Table 2 reports the distribution of surcharge share across the 508 jurisdictions.

Table 2. Distribution of budgeted surcharge share across 508 jurisdictions

Statistic	Value	Note
Jurisdictions	508	All district-level units nationally
Mean	30.12%	Unweighted across jurisdictions
Median	32.43%	Above the mean: left skew
Standard deviation	16.22 pp	Sample standard deviation
Coefficient of variation	0.538	Dispersion relative to mean
Minimum	0.00%	51 jurisdictions tie at zero
25th percentile	19.46%	
75th percentile	41.52%	
Maximum	88.60%	Kab. Tambrauw, Papua Barat Daya

Computed by the authors from the source in Table 1. Percentiles are linearly interpolated; the standard deviation is the sample statistic. Blank surcharge cells are treated as zero, as explained in Section 3 and examined in Section 4.5.

The interquartile range spans 22 percentage points and the full range spans 88.6. A jurisdiction at the 25th percentile expected the surcharge to supply about a fifth of its tax revenue; one at the 75th expected it to supply more than two fifths. Both were estimating the same statutory instrument in the same year.

Some of this spread is real. Districts differ in vehicle density and in the size of their other tax bases, so the true surcharge share genuinely varies. The question is whether it varies this much, and

the provincial comparison in Section 4.4 suggests that a substantial part of the spread is estimation rather than economics.

4.3 *Where the extremes are*

The maximum deserves attention because of what it implies about the jurisdiction reporting it. Kabupaten Tambrauw in Papua Barat Daya budgeted IDR 4.71 billion of surcharge against a total local tax budget of IDR 5.31 billion — 88.60 per cent. Nearly the whole of that jurisdiction's expected tax revenue for the year was a stream it had never received, could not assess, and would not collect.

Kabupaten Gayo Lues in Aceh follows at 78.99 per cent, and Kabupaten Tapin in Kalimantan Selatan at 71.12 per cent. Three of the ten highest shares are in Aceh and three in Kalimantan Selatan. What these jurisdictions have in common is not vehicle density but the smallness of their other tax bases: a modest surcharge entitlement becomes a large share of a small total.

At the other end, excluding the fifty-one zeros, the lowest non-zero shares belong to jurisdictions with unusually large other bases. Kabupaten Badung in Bali budgeted 4.26 per cent, on a total local tax budget of IDR 8.89 trillion — the surcharge is small relative to a tourism tax base of exceptional size. Kabupaten Banyuwangi in East Java budgeted 6.21 per cent. In these cases the low share reflects the denominator rather than the numerator, which is the mirror image of the Tambrauw case and the reason a share is not a measure of surcharge yield.

4.4 *Dispersion within provinces*

If dispersion across all 508 jurisdictions reflected real economic variation, it should appear within provinces as well as between them, and to a similar degree. Table 3 shows that it does not.

Table 3. Distribution of surcharge share within five provinces

Statistic	Aceh	North Sumatra	Central Java	East Java	South Sulawesi
Jurisdictions	23	33	35	38	24
Mean	32.14%	28.33%	34.69%	32.21%	35.34%
Median	36.44%	30.67%	35.89%	34.07%	36.94%
Standard deviation	24.45 pp	12.75 pp	9.92 pp	10.68 pp	10.91 pp
Coefficient of variation	0.761	0.450	0.286	0.332	0.309
Minimum	0.00%	0.00%	0.00%	6.21%	17.23%
Maximum	78.99%	48.80%	47.99%	48.86%	60.72%

Computed by the authors from the source in Table 1. Provinces selected to span geography and fiscal size. Central Java records one jurisdiction at zero, Kabupaten Grobogan.

The means are close together, between 28.33 and 35.34 per cent, which is what one would expect if the underlying quantity is broadly similar. The dispersions are not. Aceh's coefficient of variation

is 0.761, more than two and a half times Central Java's 0.286, and its standard deviation is nearly two and a half times as large.

Two provinces with similar means and very different dispersions cannot both be estimating well. If Central Java's districts are right that the share lies between roughly a quarter and a half, then Aceh's spread from zero to 79 per cent contains a great many estimates that are not. The alternative — that Aceh's districts genuinely differ that much while Central Java's genuinely do not — would require an economic heterogeneity within Aceh for which there is no evident basis.

The interpretation this article offers is that dispersion measures the quality of the estimating process rather than the variability of the quantity estimated. On that reading Central Java's districts had better information, more uniform guidance, or both. The data do not establish which, and Section 4.8 records that as a limitation.

4.5 The jurisdictions that budgeted nothing

Fifty-four of 508 jurisdictions, one in every ten, recorded no surcharge on motor vehicle tax. The cell is in every case genuinely blank rather than a written zero, which is itself informative: a government writing zero has made an estimate, while a government leaving the cell empty has not filled it in.

The distribution is not random. Six are in Aceh, and twenty-six are in the six Papua-region provinces. Two are in North Sumatra, two in Riau, and single instances appear in Jambi, South Sumatra, Bengkulu, Central Java, Central Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi and East Nusa Tenggara. The concentration in Papua and Aceh, and the near-absence from Java outside a single Central Java case, is the clearest signal in the data.

Three of the fifty-four are internally inconsistent in a way that indicates a data problem rather than a policy choice. Kabupaten Kepulauan Talaud, Kabupaten Pegunungan Arfak and Kabupaten Deiyai each budgeted a positive surcharge on vehicle transfer duty while leaving the motor vehicle tax surcharge blank. A jurisdiction levying one necessarily levies the other, since both arise from the same statutory provision on the same register. These three are reporting failures.

The remaining fifty-one present a question the file cannot answer. A statutory entitlement conferred by Article 83(1) of Law No. 1 of 2022 does not require budgeting to exist; the revenue accrues whether or not the district anticipated it. Budgeting nothing therefore does not forgo the revenue. What it does is prevent the district from appropriating against it, so any surcharge actually received arrives as an unbudgeted receipt requiring a mid-year amendment before it can be spent.

4.6 What the province-level pattern shows

Aggregating to provinces removes within-province estimation noise and leaves a ranking that is interpretable. Table 4 reports the extremes.

Table 4. Budgeted surcharge as a share of district local tax revenue, selected provinces

Rank	Province	Districts	Surcharge (IDR bn)	Share of total
1	Kalimantan Utara	5	138.71	39.77%

Rank	Province	Districts	Surcharge (IDR bn)	Share of total
2	Kalimantan Selatan	13	678.74	37.66%
3	Aceh	23	370.78	37.30%
4	Kalimantan Timur	10	1,182.47	36.81%
17	Jawa Tengah	35	3,582.08	29.69%
22	Jawa Timur	38	4,792.11	25.45%
25	Sumatera Utara	33	1,547.69	21.73%
35	Sulawesi Tengah	13	182.68	11.43%
37	Bali	9	1,445.14	10.80%

Computed by the authors from the source in Table 1. Ranks are of 37 provinces with district rows; the Special Capital Region of Jakarta has none. Surcharge combines both instruments and is expressed in billions of rupiah.

The ranking runs contrary to vehicle density. Kalimantan Utara, with five districts and a small fleet, tops the list at 39.77 per cent; Bali, with a large fleet and heavy vehicle turnover, sits last at 10.80. The explanation is the denominator: Bali's districts hold a tourism-based tax base of exceptional size, so the surcharge is small relative to it, while Kalimantan Utara's districts have little else.

This confirms that surcharge share measures dependence rather than yield, and that the two are close to inversely related across provinces. The jurisdictions for which the surcharge matters most are those with the weakest independent tax bases — which is the finding a companion study reports for one province using realised data, here observed nationally in budget form.

4.7 How much of the dispersion could be real

The article claims that dispersion of this magnitude cannot be wholly economic, and the claim should be given a quantitative form rather than left as an assertion.

The true surcharge share of a district is the ratio of two quantities: the vehicle tax arising in its territory, multiplied by 0.66, and its total tax revenue. Both vary genuinely across districts. Vehicle density varies with urbanisation and income; other tax bases vary with tourism, property values and mineral extraction. A district that is vehicle-dense and otherwise poor will genuinely have a high share, and one that is vehicle-sparse with a large tourism base will genuinely have a low one, which is exactly the Bali and Kalimantan Utara contrast documented in Section 4.6.

What that mechanism cannot explain is the within-province pattern. Districts inside one province share a provincial rate, a provincial valuation practice and a common regional economy, so the economic component of the dispersion should be smaller within provinces than across them. It is, in four of the five provinces examined: coefficients of variation of 0.286 to 0.450 against 0.538 nationally. Aceh at 0.761 is the exception, and it exceeds the national figure — meaning that districts within Aceh disagree with one another more than districts drawn from the whole country do. No

economic account of a single province produces that, and six blank cells among twenty-three districts is a more economical explanation.

The comparison also bounds the argument in the other direction. Central Java's 0.286 is not zero, so even the most uniform province examined shows substantial spread, and some of that is presumably real. The article does not claim that estimation noise accounts for all dispersion, only that the difference between 0.286 and 0.761 on nearly identical means is not plausibly economic.

4.8 Limitations

Four limitations bound the analysis and the first is the most serious. These are budgeted figures and no realised surcharge data by jurisdiction has been published, so the article cannot compare estimate against outturn and therefore cannot say which estimates were good. Its claims concern the distribution of estimates, not their accuracy.

The treatment of blank cells as zero is a choice that shapes the lower tail. It produces a fifty-one-way tie at zero, makes the minimum uninformative, and pulls the mean below the median. The alternative — excluding the blanks — would raise the mean to roughly 33 per cent and remove the most interesting finding in the data, so the article retains them and reports the consequence.

The file records the original budget as at 28 May 2025 and does not capture amendment, so a jurisdiction that corrected an implausible estimate later in the year appears here at its first attempt. And the interpretation offered in Section 4.4 — that dispersion measures estimating capacity — is an inference from a pattern rather than a demonstration, since the article observes neither what information each district held nor what guidance each province issued.

4.9 Policy implications

Three implications follow, and each is directed at a different actor.

For the province, which holds the register from which the surcharge arises, the implication is a duty of information. A district cannot estimate its entitlement from anything it administers; the assessment base, the rate and the collection schedule are all provincial. Issuing each district a projection derived from the register before the budget cycle would cost the province almost nothing and would eliminate the largest identifiable source of the dispersion documented here. That Central Java's districts are three times more uniform than Aceh's suggests such information flows already exist in some provinces and not others.

For the central government, the implication concerns the fifty-four blank cells. A statutory entitlement that one district in ten did not record in its budget is not being administered as the statute contemplates, and the concentration of blanks in Aceh and the Papua-region provinces indicates where capacity support is needed. The blanks are visible in the ministry's own file and require no new collection to identify.

For the districts most exposed — Tambrauw at 88.60 per cent, Gayo Lues at 78.99 — the implication is about risk rather than estimation. A jurisdiction whose budget rests overwhelmingly

on a stream it neither assesses nor collects has taken a position it cannot manage, and the appropriate response is not a better forecast but a reserve against the forecast being wrong.

4.10 Summary of findings

The factual findings are five. Budgeted surcharge revenue across 508 district-level jurisdictions totals IDR 31.71 trillion, or 24.30 per cent of all budgeted district tax revenue. The share across jurisdictions has a mean of 30.12 per cent, a median of 32.43, a standard deviation of 16.22 percentage points and a coefficient of variation of 0.538, ranging from zero to 88.60 per cent. Fifty-four jurisdictions left the motor vehicle tax surcharge cell blank, twenty-six of them in the Papua-region provinces and six in Aceh. Within-province dispersion varies from a coefficient of variation of 0.286 in Central Java to 0.761 in Aceh, on means that differ by less than three percentage points. And the provincial ranking runs from 39.77 per cent in Kalimantan Utara to 10.80 in Bali, inversely to vehicle density.

The interpretive claims are three. A first-year estimate of a new instrument is a construction rather than an extrapolation, so its dispersion across governments facing an identical task is evidence about the estimating process rather than about the quantity estimated. Two provinces with similar means and dispersions differing by a factor of two and a half cannot both be estimating well. And surcharge share measures dependence rather than yield, which is why it is highest where the independent tax base is weakest.

5. CONCLUSION

Five hundred and eight governments estimated the same new tax for the same year and produced numbers ranging from nothing to nearly nine tenths of their tax revenue. One in ten did not produce a number at all. Within one province the estimates cluster tightly and within another they do not, on almost identical averages.

The general claim is that first-year budget estimates of a new instrument should be read as evidence about the estimating government rather than as forecasts of yield. They cannot be extrapolations, so they reveal what information the government had and how it used it; and where many governments face the same task, the spread of their answers bounds how many can be right.

Three extensions follow. Realised surcharge data by jurisdiction, when published, would convert this distribution of estimates into a distribution of errors and permit the accuracy question this article cannot address. Comparing the fifty-four blank jurisdictions against measures of administrative capacity would test whether the blanks track capability rather than policy. And examining whether provinces issued projections to their districts before the budget cycle would test the explanation offered in Section 4.8 for the difference between Central Java and Aceh.

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