

THE IMPACT OF STATE POLICY PRIORITIES ON STATE PROGRAM EFFORTS

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State governments take specific actions to deal with citizen needs, societal problems, and political issues. For example, states establish highway networks for transportation, school systems for education, welfare benefits for needy populations, and hospital facilities for health care. In each of these cases—and in the many others that could be cited—government acknowledges a social objective (i.e., transportation, education, etc.) and takes specific steps to achieve that objective (i.e., building roads, hiring teachers, etc.). The phenomena we are calling “determining objectives” and “taking steps” represent two key components of the public policy-making process. And, it is important to determine the impact of one upon the other. That is precisely the focus of this study.

We will look at the relationship between policy priorities and program efforts in the American states. It may seem obvious that governmental commitments to various objectives (i.e., their policy priorities) exert a strong influence on the actions that they take (i.e., their program efforts). But, the linkage is not nearly as clear-cut as one might think. On the hand, governmental intentions do not translate automatically into specific actions. On the other hand, there are other features— policy environments, state economies, and even the federal system— that come into play. We combine these factors into a single broad model of state-level program efforts. Our results show that state policy priorities constitute a strong, but not overriding, factor in shaping specific governmental responses to societal needs.

BACKGROUND

Let us begin by defining the two terms that are central to our analysis. First, we define *policy priorities* as the component of governmental decision-making where public officials allocate scarce resources, in the form of expenditures, to different program areas (Jacoby and Schneider 2001). This activity is formally carried out by state legislatures, but it is the culmination of a much broader operation

involving public demands (Raimondo 1996), interest group pressures (Gray and Lowery 1988; 1996), bureaucratic procedures (Barrilleaux 1999; Elling 1999), and executive proposals (Beyle 1996).

Policy priorities are a clear manifestation of the institutional commitments of state governments. Specifically, they operationalize the “governmental decision agendas” within the respective states (Kingdon 1995); that is, the relative salience that state-level public officials accord to various social and political issues (Baumgartner and Jones 1993). It is important to emphasize that we are focusing on *tangible* distributions of public resources and not merely the *intentions* of politicians and office holders. This is a vital distinction because policy priorities are key indicators of what governments *do* and not what they *plan* to do.

Second, we view “program efforts” as a conceptually distinct aspect of policy development—beyond the institutional commitments to fund solutions for particular problems. All observers of policy-making are familiar with the discrepancy that exists between “resource allocation” and “actualization” in public programs. That is, governmental officials may indicate—through their words, actions, and financial appropriations—that they are committed to certain policy priorities. But, subsequent events can (and often does) occur to prevent these commitments from being fulfilled. For example, the underlying societal problems that led to the original policy choices may change. Or, economic factors (e.g., sudden recessionary trends, rising unemployment rates, etc.) can also create difficulties for public programs. And, of course, political and administrative forces can hinder program developments in a variety of ways (Pressman and Wildavsky 1973).

Some of the early empirical studies of state politics, referred to program efforts as a distinct dimension of policy outputs. From this perspective, program efforts reflect the services that citizens

actually receive for their tax dollars (Sharkansky 1967 ; Sharkansky and Hofferbert 1969; Hofferbert 1974). From a slightly different perspective, the policy implementation literature, describes program effort as the set of services, personnel, and activities which enable public officials to put policies into place (Pressman and Wildavsky 1973; Ingram 1990; Hill and Weissert 1995). And, in current research on policy evaluation and analysis, program effort is usually identified as the “program monitoring” phase (Dunn 1994) of the process: It involves “the systematic examination of program coverage and delivery” (Rossi and Freeman 1993, p. 164).

Regardless of the exact terms that are used, program effort represents a critical area of policy development. This is the context in which key program personnel are employed to administer services; target populations become aware of, and participate in, the programs intended to benefit them; and concrete governmental services get delivered to their constituencies. All of these features vary markedly across substantive policy areas and also across political jurisdictions (Bardach 1973; Goggin, Bowman, Lester, and O’Toole, 1990).

We believe that the relationship between policy priorities and program effort is a critical component of the more general policy process. In effect, policy priorities are the “bridge” between public demands and governmental services. Expenditure commitments are often the targets of those who would influence government, such as parties and interest groups as well as individual citizens (Raimondo 1996; Winters 1999). And, all astute observers of the political system know that adequate financing is a necessary precondition for any meaningful policy activity (Garand and Hendrick 1991). Therefore, policy expenditures have a profound effect on the ways that state governments ultimately address issues and ameliorate social problems— their program efforts. Clearly, the quality of program

effort determines the overall success or failure of governmental activity (Palumbo and Calisto 1990; Ingram 1990).

From a theoretical perspective, the impact of policy priorities on program efforts is clear cut. However, the empirical evidence gleaned from previous research presents a far more ambiguous picture. In fact, the classic studies in this field found virtually no relationship between program expenditure levels and measure of public services in the states (Dye 1969; Hofferbert 1966; Sharkansky 1979). More recent work combines expenditures and program outputs together into broad measures of state policy liberalism (Klingman and Lammers 1984; Wright, Erikson, McIver 1987). Hence, they simply do not distinguish between priorities and efforts.

A number of problems have been identified in these earlier studies. For example, Hofferbert argued that the null relationships between expenditures and services were due primarily to the relatively “crude” measures that were employed (1974, p. 212). And, we have argued that broad composite measures of public policy confound substantively distinct phenomena (Jacoby and Schneider 2001). Therefore, it is clear that further work must be devoted to explicating the impact of policy priorities on program efforts.

MODEL AND DATA

The specific efforts that a state undertakes will, of course, vary from one policy area to the next. But, we believe the general influences on governmental efforts are stable, regardless of the substantive content of the policies. We argue that state program efforts are a function of five factors: Policy priorities; societal needs; economic conditions; federal assistance; and political culture.

The reasoning behind each of these causal factors is straightforward. As discussed in the previous section, spending money on a social objective suggests some kind of overt commitment to that objective. The democratic responsiveness of state governments holds that public officials should take action to address the needs and demands of their constituents (Key 1949). General economic well-being delimits the overall amount of resources that states can deploy (Dye 1966; Ringquist and Garand 1999). The federal government provides extra financial assistance to supplement state only funds (Hanson 1990). And, political culture simply represents the broad differences that exist in the values and orientations of the citizens in different states (Elazar 1984; Gray 1999).

We do not believe that the conceptual importance of any of these variables is open to serious debate. Economic conditions, population needs, federal assistance, and political culture repeatedly have been shown to influence state program responses. But, these factors have never been incorporated in the same model with policy priorities. We believe this is a serious omission because policy priorities represent an explicitly political component of the policy process (Jacoby and Schneider 2001), whereas the other factors mentioned here are primarily economic and/or social in nature (Wright, Erikson, and McIver 1987).

Our analysis will look at state governmental program efforts in four different policy areas: Education, health care, highways, and welfare. These represent some of the most significant problems and social needs that states address (Lewis and Maruna 1999; Rom 1999). They consume enormous amounts of state resources and are the bases of prominent, ongoing political conflicts (Winters 1999).

We use the same general types of explanatory variables across these four areas; they represent the five influences discussed above. We expect the specific mix of these factors to vary from one

program area to the next. In our analysis, the data for the various independent variables are from 1992; the program effort variables are collected in 1993. This one-year lag is necessary in order to incorporate the time factor involved in program implementation. Let us now consider how the variables are operationalized.

Dependent Variables

One of the tricky aspects of this analysis is to find variables that are relatively pure measures of program effort. In order to do so, we have to consider carefully the nature of each policy area. Beginning with education, program effort is gauged by the number of K-12 teachers per 1000 state population.¹ This variable is widely regarded as an indicator of a state's ability to deliver educational services (Lewis and Maruna 1999). After all, without teachers it is virtually impossible to provide any kind of instruction to school children.

In the area of health care, we use the number of Medicaid optional services offered within a state as our measure of program effort.² These optional services provide critical aspects of care to the patient population. And, their provision is almost entirely a matter of state discretion (Schneider and Jacoby 1996). Most important for present purposes, previous research shows that the number of optional services is directly related to the states "aggressiveness" in addressing health care needs (Schneider, Jacoby, and Coggburn 1997).

For highways, we use the number of state highway workers per 1000 state population.³ This variable signals a state's commitment to building and maintaining roads (Saiz and Clarke 1999). And, unlike alternative measures (e.g., number of highway miles), it should be relatively unaffected by the overall size of the state.

We measure welfare program effort, by taking the percentage of the state's population that is on public aid.⁴ State's set the eligibility standards (within very broad limits established by the federal government), so they effectively determine this figure. And, as a result, we believe it is a valid indicator of the degree to which a state provides benefits to needy citizens (Peterson and Rom 1990).

Independent Variables

As mentioned earlier, we have five types of independent variables. The first is state policy priorities. This is measured as a single variable that distinguishes between state commitments to particularized benefits on the one hand and collective goods on the other. We present the theoretical development of this variable elsewhere (Jacoby and Schneider 2001). For now, it is sufficient to say that this is a continuous, interval-level measure which summarizes the trade-offs in state expenditures across a comprehensive range of policy areas.⁵ The dichotomy between particularized benefits and collective goods is a pervasive distinction in state policy-making. Therefore, the policy priorities variable captures nicely the variability in state institutional agendas. Larger values of this variable indicate a greater commitment to collective goods, relative to particularized benefits.

The second independent variable is gross state product (GSP) per capita.⁶ Like most other researchers, we regard this variable as an indicator of the economic well-being within a state. It signals the availability of tangible resources (Gray 1999; Ringquist and Garand 1999). And, as such, it should have an impact on the state's ability to perform *any* kind of policy-related activities.

The third independent variable consists of policy-specific federal assistance (measured on a per capita basis).⁷ Federal grants-in-aid provide supplemental financing for state activities — i.e., funds generated from sources other than state revenues (Hanson 1999). Therefore, they must be considered

as separate contributions to, and influences on, state program efforts. The specific grants, of course, vary across policy areas.

Fourth, state needs are incorporated for each type of program effort. Presumably, state governmental decision-makers are attentive to their constituents (Key 1949; Erikson, Wright, and McIver 1993). Therefore, program efforts should be adjusted accordingly. In the area of education, the variable measuring state need is the number of children per capita.⁸ For health care, we use the infant mortality rate.⁹ The state need variable for highways is the percentage of roads in poor condition.¹⁰ And, for welfare, the state poverty rate signals the need for public assistance.¹¹

Finally, we use geographic region to represent variability in political culture. This is operationalized as three dummy variables for northwestern, southern, and western states. We recognize that political culture is a complex, multi-faceted concept. No single variable effectively captures all of it (Gray 1999). However, we do believe that region can serve as a reasonable proxy for the various other cultural differences that exist across the states (Erikson, Wright, and McIver 1993).

EMPIRICAL ANALYSIS

Within each of the four policy areas, we use ordinary least squares to estimate the respective independent variables effects' on state program efforts. The regression equations fit the data quite well, with R^2 values ranging from 0.39 to 0.81. The main empirical results are summarized in Table 1. Note that we are interested primarily in comparing effects within the separate policy areas. But, the independent variables are measured in different units. Therefore, our discussion relies mainly on the standardized regression coefficients. The nonstandardized coefficients, as well as the other information from the regression analyses, are presented in the Appendix.

The first prominent feature in Table 1 is the consistently strong effect of state policy priorities. This variable always has one of the largest standardized coefficients, no matter which policy area is considered. The signs of the coefficients vary across these equations. But, they do so in perfectly reasonable ways. Recall that larger values of the priorities variable correspond to greater emphasis on collective goods. The two program effort variables with positive coefficients are education and highways— policy areas that themselves represent collective goods for their respective states. In contrast, the negative coefficients occur in program areas for particularized benefits— welfare and health care. Once again, this is exactly to be expected. This confirms that state policy priorities— the institutional commitments of state decision-makers— have a pervasive and predictable effect on subsequent program developments.

Federal assistance also has a strong impact across all four policy areas. In three cases, the relationship is simple. For education, highways, and welfare, more money from the national government leads to expansions in state program efforts. The situation is different with respect to health care. Here, greater federal funding corresponds to *fewer* state-level optional Medicaid services. This result may be counterintuitive, but it is not entirely unreasonable.¹² Federal Medicaid funds are, by law, devoted to mandatory services. So, expansions in the latter services apparently correspond to fewer optional service adoptions. Taken together, the results for federal assistance are particularly interesting because, as we have shown elsewhere (Jacoby and Schneider 2001), federal assistance has no effect whatsoever on the establishment of basic state policy priorities. Hence, it truly represents an external factor— either a resource available to or a pressure upon— state decision-makers (Hanson 1999).

The effects of state need are highly variable. In two of the policy areas— education and welfare, they do have a noticeable effect. In the other two areas— highways and health care, they do not. This disjunction is quite reasonable given the nature of the policies. Regardless of any other circumstances, states must provide minimum levels of welfare and education services to their populations (Rom 1999; Lewis and Maruna 1999). These are clientele-based policies, where the connections between need and services are relatively direct. In contrast, highway and health care benefits are allocated more indirectly, *through* the contractors and service providers, rather than to any specific constituency group (Saiz and Clarke 1999; Schneider, Jacoby, and Coggburn 1997). Hence, the connection with population need is far more attenuated in these cases.

The effects of general state economic conditions are weak, nonexistent, and/or contrary to prior expectations. The coefficient for gross state product per capita is quite small and does not achieve statistical significance in three of the four equations. The single exception is health care, and here GSP per capita has a significant, but *negative*, effect on Medicaid optional services. We have no explanation for this anomalous result. However, it is clear that state economic conditions do not have a positive effect on program efforts in any of the areas that we consider.

Finally, there are some strong reasonable effects, all of which are consistent with the conventional wisdom about geographic variability in the United States (Elazar 1984; Gray 1999). For example, Northeastern states have significantly more teachers per capita and Western states have significantly fewer teachers per capita, than do Midwestern states. Southern states provide significantly fewer optional health care services. Both Southern and Northeastern states have greater numbers of highway workers. And, finally Southern states have much higher percentages of the population receiving

public aid. Once again, none of these results are particularly surprising, but they do confirm the importance of regional variations in the policy activities of the American states, even after other factors have been taken into account.

CONCLUSIONS

The most general finding from this analysis is that state policy efforts are determined on the basis of a rational process. Our results show that specific state actions to address social problems are grounded in state needs and capabilities. More specifically, they are affected by policy priorities, federal assistance, state need, and geographical diversity.

These influences are all very reasonable. Policy priorities represent the institutional commitments of state governmental decision makers. Federal assistance confirms the vital importance of intergovernmental relations in shaping state policy activities (Nice and Frederickson 1995; Nice 1998). State need verifies elite responsiveness to their constituents (Erikson, Wright, and McIver 1993). Geographic diversity captures the variability in political cultures across the nation (Elazar 1984; Garreau 1991). Hence, governmental action seems to be influenced by precisely those factors that are supposed to affect subnational governments in a democratic, federal system.

The strong connection between policy priorities and program effort is particularly interesting. This relationship is very reasonable from a theoretical and practical perspective. But, an influential line of previous research (Dye 1966; Sharkansky 1967; Sharkansky and Hofferbert 1969) suggested that governmental expenditures have little effect on specific policy activities. Hence, the connection has simply not been the focus of much scholarly attention in recent years.

Our study provides an alternative, and contradictory, interpretation. As Richard I. Hofferbert pointed out many years ago, the earlier null findings were due primarily to the crudeness of the measures— particularly the expenditure variables— that were employed (1974). More recent work has followed this lead and recognized the importance of spending tradeoffs rather than absolute dollar figures (Garand 1985, 1988; Garand and Hendrick 1991; Ringquist and Garand 1999). Our work proceeds further in this same direction because the policy priorities scale we employ provides a powerful, parsimonious measure of relative state expenditures across *all* significant areas of state governmental activity (Jacoby and Schneider 2001). And, as we have shown in this analysis, policy priorities have a profound effect on the actual steps that governments take in order to address social problems and citizen needs.

Our work also addresses a broader controversy that has existed in the state policy literature for many years— the relative importance of economic versus political factors in determining state policy outputs (Dawson and Robinson 1963; Dye 1966). In our model, we isolate a purely economic factor— gross state product per capita. And, we have shown that it has very little impact, once other influences are taken into account. This coincides with other recent research that downplays the role of economic variables in state policy-making (Erikson, Wright, and McIver 1993).

In contrast, as we have demonstrated elsewhere, policy priorities are almost entirely shaped by political factors. More specifically, they are the product of public opinion and interest group activity across the states (Wright, Erikson, and McIver 1987; Gray and Lowery 1988, 1993; Jacoby and Schneider 2001). This finding coincides very nicely with the major thrust of research on the political implications of agenda-building (Kingdon 1995; Baumgartner and Jones 1993). Stated simply, political

conflict centers on which issues government should address in the first place. The policy priorities variable captures precisely this feature by determining state governmental commitments to particularized benefits versus collective goods. Thus, we argue that the institutional agenda— operationalized by our policy priorities scale— is an explicitly political influence on program efforts. So, our major conclusion is straightforward: Policy activity within the American states is not only based upon rational considerations; it is also the culmination of a process that is largely political in nature.

APPENDIX

Regression Results for Influences on Program Effort.

	Policy Area			
	Education	Health Care	Highways	Welfare
Policy Priorities	0.040* (0.009)	-0.070* (0.037)	0.015* (0.006)	-0.035* (0.009)
Federal Assistance	15.951* (7.708)	-15.054* (7.640)	9.157* (1.928)	39.741* (6.071)
State Needs	33.205* (9.369)	-0.650 (0.525)	0.003 (0.003)	0.272* (0.048)
GSP per Capita	-0.005 (0.032)	-0.251* (0.120)	0.025 (0.019)	0.004 (0.035)
Northeastern States	1.713* (0.466)	0.943 (2.269)	0.584* (0.247)	-0.536 (0.499)
Southern States	-0.268 (0.345)	-3.318 (1.582)	0.521* (0.182)	0.928* (0.433)
Western States	-1.656* (0.372)	-1.222 (1.763)	0.018 (0.210)	-0.094 (0.414)
Intercept	1.197	43.587	-1.104	0.902
R^2	0.681	0.389	0.752	0.808

Note: Table entries are OLS regression coefficients, with standard errors shown in parentheses. Starred coefficients indicate that the effect of that variable is statistically significant at the 0.05 level (one-sided test). Standardized regression coefficients are shown in Table 1. Definitions of the “state needs” variable for the different policy areas are provided in the text.

NOTES

1. The data on K-12 teachers per capita come from the *Statistical Abstract of the United States, 1994*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1994.
2. The data on Medicaid optional service adoptions comes from *Medicaid Services State by State*, U.S. Department of Health and Human Services, Health Care Financing Administration, 1993.
3. The data on mileage on interstates in poor or mediocre condition come from the *Statistical Abstract of the United States, 1996*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1996.
4. The data for public aid recipients as percentage of the population come from the *Statistical Abstract of the United States, 1995*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1995.
5. The original data for this variable were obtained from *State Government Finances: 1992*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1993. The precise construction of the policy priorities is explained in Jacoby and Schneider (2001).
6. The data on gross state product come from the *Statistical Abstract of the United States, 1995*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1995.
7. The data on federal assistance come from *Federal Expenditures by State for Fiscal Year 1992*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1993.
8. The data for number of children per capita come from the *Statistical Abstract of the United States, 1993*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1993.
9. The data on state infant mortality rates come from the *Statistical Abstract of the United States, 1995*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1995.
10. The data on state roads in poor or mediocre condition come from Harold Hovey, *State Fact Finder: Rankings Across America*, Washington, DC: CQ Press, 1996.
11. The data on state poverty rates come from the *Statistical Abstract of the United States, 1995*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 1995.

12. The negative finding for the impact of federal financial aid on state Medicaid services is not totally unexpected. Previous research on this program has been unable to determine if federal financial contributions have a consistent impact on state Medicaid programs or whether federal aid might actually affect different types of impacts on different state Medicaid decisions— i.e., spending levels, service extensions, financing options, eligibility decisions, etc. (see, for example, the Coughlin, Ku, and Holahan 1994).

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Table 1: Summary of Regression Results for the Influences on Program Effort.

	Policy Area			
	Education	Health Care	Highways	Welfare
Policy Priorities	0.596*	-0.321*	0.370*	-0.366*
Federal Assistance	0.246*	-0.315*	0.609*	0.576*
State Needs	0.457*	-0.203	0.075	0.555*
GSP per Capita	-0.018	-0.273*	0.140	0.009
Northeastern States	0.474*	0.081	0.269*	-0.105
Southern States	-0.090	-0.344	0.285*	0.221*
Western States	-0.524*	-0.119	0.009	-0.021
R^2	0.681	0.389	0.752	0.808

Note: Table entries are standardized regression coefficients. Starred coefficients indicate that the effect of that variable is statistically significant at the 0.05 level (one-sided test). More detailed regression results are provided in the Appendix. Definitions of the “state needs” variable for the different policy areas are provided in the text.