LEGISLATIVE ACCEPTANCE OF GUBERNATORIAL BUDGET PROPOSALS

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ABSTRACT

Budgeting provides a unique arena in which to study the intersection of policy and politics. This paper examines legislative acceptance of specific executive budget issue proposals, while most previous studies have examined budgets more broadly. In 2001 state budget deliberations, legislatures were more likely to accept governors' budget proposals when the proposals addressed common problems, when legislators faced term limits, when the economy was comparatively weak and earlier in the governor's term. Partisan legislative support, the governor's formal powers and election margin, and the governor's political skill in advocating for budget proposals were not closely related to legislative acceptance. The political environment also differed depending on the type of issue. Taxation issues were more likely to require the governor's consistent advocacy and partisan legislative support. Expenditure proposals outside of education were more likely to be accepted early in the term of a governor with high electoral support. Education proposals were supported by legislatures in a variety of circumstances, but were more likely to be accepted when the economy was relatively weaker.

Budgeting is unique among the many arenas in which policy meets politics. Outside of the realm of budgeting, problems can be discussed and studied, alternatives offered and evaluated, and impacts estimated and debated without limit. Once a policy proposal enters the budget realm, however, things change. A public official is on record as supporting the proposal and it has a specific form and cost. Other public officials must confront it and the debate has an ending date—the day the last appropriations bill is signed. In budgeting, policy meets politics in an observable and measurable fashion. This paper examines what happens to major policy issues once they are included in the chief executive's budget proposals. It seeks an explanation for which issues are accepted by the legislature both in the nature of the issues and in the political environment in which issues are debated. It also explores the possibility that policies and politics affect budget outcomes differently for different types of budget issues.

Budget deliberations are a key step in the policy process. Few policy changes of any magnitude are possible without budgetary action. To receive serious consideration, most issues must first be proposed in the executive budget. According to Thurmaier and Willoughby, "Budget requests emerge from the policy process." At this point, they move from Kingdon's "governmental agenda" to the "decision agenda."[1] As a result, budget deliberations represent one of the few regular and predictable "policy windows" that allows for consideration of significant policy changes.[2] The budget process and fiscal condition

[1] Kurt M. Thurmaier and Katherine G. Willoughby, *Policy and Politics in State Budgeting*, Bureaucracies, Public Administration and Public Policy, series ed. Kenneth J. Meier (Armonk, NY: M.E. Sharpe, 2001), 32-40.
[2] John W. Kingdon, *Agendas, Alternatives and Public Policy* (New York: Longman, 2003), 186.

also shape what policies can receive serious consideration.[3]

Just as budgeting is central to policy, it is the very embodiment of politics. The political importance of budgeting helps explain why the annual American budgeting ritual has become the site of "epic battles" between the President and Congress.[4] One scholar suggests budgeting has supplanted legislation as "…the most important instrument of governance."[5] The adopted budget is a summary of the political struggle; Ohio budget director Howard Collier characterized the final state budget as "a political scorecard."[6] Aaron Wildavsky, long recognized as the leading budgeting scholar, was among the first to make the case for the budget as a legitimate arena for studying politics:

> Perhaps the "study of budgeting" is just another expression for the "study of politics"; yet one cannot study everything at once, and the vantage point offered by concentration on budgetary decisions offers a useful and much neglected perspective from which to analyze the making of policy.[7]

This study follows Wildavsky's suggestion by examining state politics through the lens of the budget. It studies a single budget process in all 50 states to better understand the extent to which issues proposed in the governors budget are adopted by the legislature and why. The research question is: *What factors explain an executive budget issue's acceptance by the legislature?* This study extends the previous work on budget debates in three important ways. First, it studies budget deliberations during the same period in all 50 states, while previous studies examined only a subset of states or agencies, often over a period of

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[3] *Ibid.,* 105-7. Matthew Eshbaugh-Soha, "The Politics of Presidential Agendas," *Political Research Quarterly* 58, no. 2 (June, 2005): 264.

[4] D. Roderick Kiewiet and Matthew D. McCubbins, "Appropriations Decisions as a Bilateral Bargaining Game Between President and Congress," *Legislative Studies Quarterly* 10, no. 2 (1985): 182.

[5] Edward A. Lehan, "Budget Appraisal—the Next Step in the Quest for Better Budgeting?" *Public Budgeting and Finance* 16, no. 4 (1996): 4.

[6] Quoted in Susan A. MacManus, "Ohio: Impact of Economic and Political Conditions," in *Governors, Legislatures, and Budgets: Diversity Across the American States*, ed. Edward J. Clynch and Thomas P. Lauth. Contributions in Political Science Number 265 (New York: Greenwood Press, 1991), 31.

[7] Aaron Wildavsky, "Political Implications of Budget Reform," *Public Administration Review* 21 (1961): 190.

years. Second, it studies specific policy proposals rather than high-level aggregations of budget decisions. In shifting the discussion away from agency and total budgets toward issues, this study evaluates budgeting the same way as do participants, media and the general public. Third, it helps understand budgetary decisions as interactions between policy content and political arena, where many prior studies have looked only in one of these realms for explanation.

There are drawbacks to studying budgeting issue adoption in a single state budget process. Even one budget cycle takes two years to complete. This study observes the budget process in calendar year 2001 for 46 of the states, but four other state budget processes from 2002 must be included to cover the nation.[8] Political and economic circumstances can change considerably in a year; there is no doubt that they did after terrorist attacks killed over 3,000 Americans in three states on September 11, 2001. Further, it is riskier to apply lessons from one budget cycle to other cycles in which issues and circumstances may differ dramatically. Nonetheless, any other method of studying budgeting outcomes—longitudinal or case study--has offsetting disadvantages. Further, studies of those types have been completed in the past; this study looks in a new direction for understanding budgeting outcomes.

Previous Studies of Budget Issue Acceptance

Studying and explaining budget outcomes—which issues are adopted, which actors win, and why—has not been the highest priority for budgeting scholarship. Instead,

[8] Kentucky, Virginia, and Wyoming adopt biennial budgets in even-numbered years only. New Jersey adopted an annual budget in 2001, but that budget is excluded in favor of the 2002 version. Governor Christine Todd Whitman resigned early in 2001. Under New Jersey's Constitution, the President of the Senate assumed the role of interim governor in addition to his legislative duties. Such an arrangement makes it impossible to distinguish the preferences and powers of the executive and legislative branch, which is essential to this study.

research has centered on process, rules, and strategies. The present study joins a relatively small group of outcome-oriented studies that seek a unified understanding of budgeting by comparing the executive's budget proposals and legislative action. Aaron Wildavsky and Richard Fenno were among the first to track budgets from their conception to adoption. Wildavsky and colleagues viewed 16 years of budgetary data for 56 national agencies and bureaus, finding that changes in the presidency or in the partisan makeup of Congress made the executive less successful at the agency budget level.[9] Fenno found that Congress was more likely to deviate from the President's agency recommendations in times of changing party control in either branch, for programs with high levels of public support, and in wartime.[10]

Studies of presidential budget success have been rare since the pioneering work of Wildavsky and Fenno. Hill and Plumlee sought explanations of differences between the President's and Congress' budget in Lowi's typology of policies.[11] They found the President's budgetary proposals were most likely to be accepted for agencies that were regulatory in nature and least likely for agencies that had redistributive functions. When the opposing party controlled Congress, legislators departed much more from the President's position for distributive and redistributive agencies, but no more for regulatory agencies.[12] Theirs was the only major study of budget outcomes to concentrate on the policy variables rather than the political. Kiewiet and McCubbins' 1985 study of total federal budgets from 1948-79 found that Congress and the President accommodated each others' budget

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[9] Otto A. Davis, M.A.H. Dempster, and Aaron Wildavsky "A Theory of the Budgetary Process," *American Political Science Review* 60, no. 3 (1966): 542-3.

[10] Richard F. Fenno, Jr., *The Power of the Purse* (Boston: Little, Brown and Company,1966), 358-65.

[11] Kim. Q. Hill and John. P. Plumlee, "Policy Arenas and Budgetary Politics." *Western Political Quarterly* 37, no. 1 (March, 1984): 84-99. For Lowi's original statement of the typology, see Theodore Lowi, "American Business, Public Policy, Case Studies, and Political Theory," *World Politics* 16 (July, 1964): 677-715.

[12] Hill and Plumlee, "Policy Arenas," 90-2.

priorities. They found that the President was most successful in achieving budget goals in the first year. [13] Shull and Shaw compared the President's proposal and Congress' appropriation for the total federal budget, finding the President to be more successful in achieving his budget goals after the 1974 budget reforms that centralized budgeting power within Congress. Presidential approval and high government spending levels also contributed to presidential budget success. This study was surprising for all the factors that did not affect success. The President did no better or worse with Congress in any particular part of the term, with variations in size of the Office of Management and Budget or congressional staff, with economic fluctuations, or with party support in Congress. [14]

There have been more studies of budget iacceptance at the state level than the national. Ira Sharkansky, for example, found that governors' budgets were more likely to be adopted when thee governor had intense policy preferences, high tenure powers, few other elected executives, and budget preferences that were not too distant from those of the legislature. Further, the most successful governors were assisted by a strong budget office, faced institutionally and politically weak legislatures, and were willing to reduce agency budget requests.[15] Wildavsky's assessment of budgeting outcomes across states determined that governors were more influential in the process when there was a surplus, giving them the policy initiative, and when they limited spending growth.[16]

Later efforts to explain why governors were successful in achieving their budgetary goals also yielded important results. Moncrief and Thompson determined that legislatures

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[13] Kiewiet and McCubbins, "Appropriations Decisions," 192-4.
[14] Steven A. Shull and Thomas C. Shaw, *Explaining Congressional-Presidential Relations* (Albany, N.Y.: SUNY Press. 1999): 127.
[15] Ira Sharkansky, Agency Requests, Gubernatorial Support and Budget Success in State Legislatures. *American Political Science Review* 62, no. 4 (December, 1968): 1229.
[16] Aaron Wildavsky, *Budgeting: A Comparative Theory of Budgetary Processes* (Boston: Little Brown, 1975), 177-9.

followed governors' budget recommendations when both branches represented the same political party.[17] Revenue sources mattered as well; agencies with federal or earmarked state funding rather than a general fund dependency usually received a budget close to the one recommended by the governor.[18] Clarke also found that divided government reduced legislative acceptance of the governor's budget recommendations. Split party control of the two houses, however, had no impact. Governors' proposals were more likely to meet with success when the governor had strong formal powers, when revenues increased, when conflict was low in the previous budget cycle, and when there were small ideological differences between political parties. Large agencies were more likely to have appropriations close to the governor's proposals than were small ones.[19]

Measuring Legislative Budget Acceptance by Issue

Previous studies of legislative budget acceptance have examined either total budgets or individual agency budgets. These approaches are popular because data are readily available and reasonably consistent over time and across states. There are weaknesses, however, to both measures. Most agency budgets, for example, are not controversial; budget debates tend to focus on large agencies with significant public visibility and impact. Neither governors nor legislators, nor the general public, are as interested in the total budget or agency budgets as they are in the cost and nature of individual programs.[20] Further, examining agency budgets ignores debates about revenue

[17] Gary F. Moncrief and Joel A. Thompson, "Partisanship and Purse Strings: A Research Note on Sharkansky," *Western Political Quarterly* 33, no. 3 (September 1980): 339.
[18] Joel A. Thompson, "Agency Requests, Gubernatorial Support, and Budget Success in State Legislatures Revisited," Journal of Politics 49, no. 3 (August, 1987): 776.
[19] Wes Clarke, "Divided Government and Budget Conflict in the U.S. States," *Legislative Studies Quarterly* 23, no. 1 (1998): 15.

[20] Allen Schick, *Budget Innovation in the States* (Washington: Brookings Institution Press, 1971), 178-9.

issues. Studying budget totals does incorporate revenue decisions but, for both revenues and expenditures, ignores details that make up the bulk of disagreement. At the state level, budget totals may not be a useful measure of differences between executive and legislature because many state budget totals are restricted by balanced budget requirements, consensus revenue forecasting processes, or expenditure limits.

This study departs from its predecessors by studying individual policy proposals of the governors. Governors are at least as concerned about specific programs, particularly new ones, as they are the total size of government and the allocation of that budget among agencies. The same is true of legislators, agencies, the media, interest groups and the public. The issue method allows budgets to be studied programmatically and in detail rather than functionally and in summary. It also considers both revenue and expenditure actions; other studies have viewed only the expenditure side of the equation.

The measure of issue acceptance is created in a three-step process described below. This process identifies the four major budget issues in each state, for a total of 200 issues to be studied. These are not necessarily each governor's highest priority issues, but are the issues that received the most attention from governor, legislature, and media during budget deliberations.

First, all issues advocated by the governor—changes in the funding level of a service or changes in a revenue item--are identified from sources including the governor's speeches, budget proposals, and press releases, legislative budget documents, and news articles.[21]

[21] The study omits issues with an effect in the current budget of less than $50,000; those where the governor's position is simply to continue current programs at current levels; proposals to *not do something*—for example, no tax increases or no employee pay raises—unless the opposite position is already in current law or receives substantial support in the legislature; capital projects that are specific to a facility or location within

Second, documents are reviewed to determine the four issues that receive the most attention during the budget process. Each budget issue receives a weighted score for every time it is mentioned in a gubernatorial or legislative document or article. Mentions are weighted so that the selected issues are important to the governor and part of an executive agenda by putting more weight on executive documents than on legislative documents or media reports and by putting more weight earlier in the budget process. Weighted scores range from five points for an issue raised by the governor in the state of the state address to one point for a newspaper article mentioning the governor's support after the budget process has ended. See the Appendix for details on document weighting. After all documents are reviewed, the four highest scoring budget issues are selected to score for legislative acceptance.

The third step is to create an index of success for each of the four highest scoring budget issues. The acceptance score for an issue ranges from 100 where the governor and legislature agree exactly on issue funding to 0 where there is extreme disagreement. This score is created by 1) subtracting the legislature's appropriation from the governor's proposed budget, 2) dividing the absolute value of the difference by the governor's proposed change from the previous year's budget, 3) restating the product as a percentage, and 4) subtracting that percentage from 100 so that closer agreement between the branches results in a higher agency success score for the governor. No score is allowed to fall below zero.

Because this study is the first to develop and use an issue-based analysis of budget outcomes, the literature provides limited guidance on what issues to study, how to select

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the state; and bond-financed projects. The result is a comprehensive list of the governor's budget proposals that measurably change current program and/or funding levels, have statewide effects, and are financed from current revenues.

the most important issues, or how to treat legislative budget increases versus decreases. As a result, the issue method is subject to several criticisms. For example, including different issues could change the level of executive success. Weighting documents differently might result in the governor's top four issues being different, as could limiting budget issues to those mentioned in state of the state addresses or budget transmittals. The decision rules employed in this study are plausible ones that are in keeping with the goal of the study. Alternative approaches can be explored in later studies that examine different years and levels of government.

Explanatory Variables and Expectations

This paper seeks to explain variation in the index of legislative acceptance described above through multiple regression and correlation analysis. This section describes the variables used in the analyses that follow and the hypothesized relationship between each variable and legislative acceptance. The study is based on a premise that both the nature of the proposal and the political environment in which the proposal is debated will affect the outcome. Two sets of explanatory variables—policy and political—are discussed below.

Policy Variables

While the support of a politically powerful and astute governor is usually essential for state adoption of policy change, issues matter, too. If a proposal is viewed as unnecessary or it strays too far from accepted ideas of the appropriate role of government, it will fail. The study includes two hypotheses relating to the nature of the issue proposal itself, along with a control variable.

Issue size: It is expected that the more the governor proposes to increase expenditures (or decrease revenues), the greater the legislative acceptance of the proposal. Wildavsky identifies a "…dilemma that occurs in budgeting," in which citizens and their representatives claim to support a balanced budget but support greater program expenditures and larger tax cuts.[22] The measure for this variable is the governor's proposed budget change per capita. Revenue proposals are reversed in sign so that large revenue cuts and large expenditure increases have the same sign and magnitude.

Common issues: It is expected that issues advanced by many governors will receive greater legislative acceptance. Seligman and Covington lament that presidents have been reduced to "leadership by polling", advancing only those issues that are popular.[23] Whether lamentable or not, one should expect such behavior in a representative democracy. There is no measure of issue popularity across the states, however. In the absence of such a measure this study assumes that states have sufficient commonality of problems, interests, and public preferences that some policy proposals will be advanced in many states. These are the proposals that are most likely to strike a chord with the public and therefore the most likely for legislatures to support. This hypothesis is tested through a dichotomous variable that is coded "1" for each issue that appears four or more times among the 200 issues in the study. Table 1 lists all such issues and summarizes their legislative acceptance scores, along with the amounts proposed by governors.

[22] Aaron Wildavsky and Naomi Caiden, *The New Politics of the Budgetary Process*, 5th ed. (New York: Pearson, 2004), 23.

[23] Lester G. Seligman and Cary R. Covington, "Presidential Leadership with Congress: Change, Coalitions and Congress," in *Rivals for Power: Presidential-Congressional Relations*, ed. James A. Thurber (Washington: Congressional Quarterly Press, 1966), 66.

Table 1.—Proposal Amount and Legislative Acceptance by Specific Issue

Function and Issue	Number of Issues	Average Amount Proposed (Per Capita)	Average Legislative Acceptance
Administration			
State employee pay	5	$ 14.32	60.82
Education			
Early childhood	4	6.06	45.56
Funding	21	32.89***	71.75
Purchase textbooks	5	8.70	64.04
Reading	5	9.03	50.68
Teacher pay	14	19.02	71.50***
Finance			
Cut agency budgets	4	- 20.41	77.58
Use one-time revenue	5	53.80**	53.34
Higher education			
Funding	5	20.81	73.72
Scholarships	5	5.54	46.91
Social services			
Medical funding	6	38.23*	71.38
Taxation			
Business tax reduction	7	9.23	62.57
No new taxes	4	0.00	75.00
Tobacco tax increase	5	- 27.75**	32.52
All other issues	106	$ 3.30**[A]	50.30**[A]
Total	200	$ 9.75	56.65

Note: Only issues with at least four occurrences are shown separately.
Mean is significantly different from mean of all issues at
* $p < .10$
** $p < .05$
*** $p < .01$
[A]Comparison is mean of these cases compared to the mean of 94 cases above.

Note that teacher pay proposals had statistically significantly higher acceptance than other proposals and that the 106 issues that are not among the most common had significantly lower legislative acceptance. Regression analysis will be used to determine whether these relationships hold in the presence of other explanatory variables.

Function of government: A control variable is introduced to account for the possibility that proposals for some functions of government will be received more favorably than proposals for other functions. There is no theoretical basis on which to say that one function—economic development, for example—should universally fare better or worse than any other. The comparative legislative preference for functions of government presumably changes over time and may vary among states as well. Nonetheless, it is important to isolate any effects of a popular or unpopular policy area so as not to attribute the success or failure of an issue to other policy or political factors. To create this control variable, each issue is placed into one of nine functional areas shown in Table 2. The control variable is the median legislative acceptance for the functional area. If some functions are intrinsically more or less likely to receive legislative support, this variable will have a statistically significant relationship with acceptance scores. Note that the table shows some variation in acceptance among the various functions but that none of the differences are statistically significant. This may reflect the small number of issues in most of the functional areas.

Table 2.—Proposal Amount and Legislative Acceptance by Major Function of Government

Function	Number of Issues	Average Amount Proposed (Per Capita)	Average Legislative Acceptance[A]
Administration	5	$ 3.42	48.80
Criminal justice	5	2.01	67.52
Economic development	4	3.66	49.43
Education	80	16.16	59.72
Finance	25	19.42	55.89
Higher education	18	12.05	51.06
Infrastructure and planning	7	7.86	55.71
Social services	22	19.33	69.40
Taxation	34	- $ 16.68***	45.29
Total	200	$ 9.75	56.65

[A]Eta=.190. $F(8,191\ df)=.890$, $p=.526$

Mean is significantly different from mean of all issues at
* $p < .10$
** $p < .05$
*** $p < .01$

Political Variables

Even a popular proposal needs help to become state policy. Governors must have and use power, political capital, and skill for their proposals to be accepted by the legislature. This study incorporates nine variables that could affect the extent of that acceptance. These variables cover a range of institutional, economic, political, and personal factors.

Governor's formal power: It is expected that proposals of a more institutionally powerful governor are more likely to be accepted by the legislature. Legislators risk more in challenging a more powerful executive.[24] The power variable is the National Governors Association index, which considers a governor's tenure potential, appointment power, veto power, and sharing of power with separately elected executives.[25]

Legislative term limits: It is expected that legislatures who face term limits are more likely to accept governor's issue proposals. Legislative term limits help enhance gubernatorial power by reducing the experience of and member support for legislative leaders.[26] This study incorporates a dichotomous variable indicating whether legislative terms are limited either by constitution or statute.[27]

Economy: It is expected that legislatures are more likely to accept governors' issue proposals when the economy is relatively weak. The literature in regard to economic conditions and budget outcomes is mixed. Some studies found executives to be more successful when budgets were tight, because legislators let the governor take the lead in increasing taxes or cutting services.[28] This study adopts that position based on logic and the many settings in which it has been documented. Other scholars, however, have suggested that executives' budget goals are favored when the economy is strong[29] or when the

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[24] R.M. Punnett, *British Government and Politics*, 6th ed. (Aldershot, U.K.: Dartmouth Publishing Company, Ltd., 1994): 186-7.
[25] Thad Beyle, *Governors' Institutional Powers, 2001*, http://www.unc.edu/~beyle/2001-GIP-101.doc.
[26] Karen Hanson, "The Third Revolution," *State Legislatures*, September 1997, 20. National Conference of State Legislatures, "NCSL Studies the Effects of Term Limits," *State Legislatures*, December 1999, 23.
[27] Data are from George Peery, "Time Line of Term Limits," in *State and Local Government 2000-2001*, ed. Thad L. Beyle, (Washington: Congressional Quarterly Press, 2000), 90.
[28] Edward J. Clynch and Thomas P. Lauth, "Conclusions: Budgeting in the American States: Conflict and Diversity," in *Governors, Legislatures, and Budgets: Diversity Across the American States*, ed. Edward J. Clynch and Thomas P. Lauth. Contributions in Political Science Number 265 (New York: Greenwood Press, 1991), 151-2. Robert J. Kleine, "Michigan: Rethinking Fiscal Priorities," in *The Fiscal Crisis of the States: Lessons for the Future*, ed. Steven D. Gold (Washington: Georgetown University Press, 1995), 301.
[29] Leif S. Hartmark, "The Role of the Legislative Budget Staff in the Budgetary Process of Wisconsin," in *The Political Pursestrings: The Role of the Legislature in the Budget Process*, ed. Alan P. Balutis and Daron K. Butler (New York: John Wiley and Sons, 1975), 113. Wildavsky, *Budgeting*, 179. Shull and Shaw, *Congressional-Presidential Relations*, 122.

economy is either very weak or very strong.[30] The measure of economic growth adds standardized scores for a state's annual change in real disposable personal income per capita[31] and change in unemployment rate,[32] both for the year prior to the budget deliberations.

Governor's election margin: It is expected that a large election victory by the governor will result in higher legislative acceptance of the governor's proposals. Scholars have found evidence for election margin as a source of executive strength,[33] though the explanatory power of the mandate has been questioned.[34] Because of the persistence of the mandate as an explanatory concept, its value is tested again in this study. Electoral support is measured by the percentage of total votes received in the most recent election.[35]

Partisan legislative support: It is expected that legislatures controlled by the governor's party are more likely to accept the governor's policy proposals. Legislative party support has been a consistently important variable in explaining governmental results at both the national[36] and state[37] levels though, as noted above, it has not been universally

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[30] Nelson C. Dometrius, "The Power of the (Empty) Purse," in *Gubernatorial Leadership and State Policy*, ed. Eric B. Herzik and Brent W. Brown. Contributions in Political Science Number 281 (New York: Greenwood Press. 1991), 98-99.
[31] From U.S. Department of Commerce, Bureau of Economic Analysis. *SA1-3. Per Capita Personal Income. 2005* . http://www.bea.gov/bea/ regional/spi/drill.cfm.
[32] From U.S. Department of Labor Bureau of Labor Statistics. Local Area Unemployment Statistics, http://data.bls.gov/PDQ/servlet/ SurveyOutputServlet.
[33] Lee Sigelman and Nelson Dometrius. 1988. "Governors as Chief Administrators: The Linkage between Formal Powers and Informal Influence," *American Politics Quarterly* 16, no. 2 (1988): 167. Rosenthal, *Governors and Legislatures*, 28.
[34] Charles O. Jones, *The Presidency in a Separated System* (Washington: Brookings Institution, 1994), 164-7. Lawrence J. Grossback; David A. M. Peterson; and James A. Stimson, "Comparing Competing Theories on the Causes of Mandate Perceptions," American Journal of Political Science, 49, no. 2. (April 2005): 406.
[35] From Council of State Governments. *Book of the States* 1998/99, 2000, 2002 (Lexington, KY: Council of State Governments).
[36] Kiewiet and McCubbins, "Appropriations Decisions," 193-4. Punnett, *British Government*, 185. Allen Schick, *The Federal Budget* (Washington: Brookings Institution Press, 2000), 3.
[37] Charles W. Wiggins, "Executive Vetoes and Legislative Overrides in the American States, *Journal of Politics* 42, no. 4 (1980): 1115. Sarah McCally Morehouse, "Legislative Party Voting for the Governor's Program," *Legislative Studies Quarterly* 21, no. 3 (1996): 372. Clarke, "Divided Government", 15. James E. Alt and Robert C. Lowry, "A Dynamic Model of State Budget Outcomes Under Divided Partisan

useful in explaining budget results. This study includes dummy variables for a divided government and for a split legislature.

Year in governor's term: It is expected that legislatures are more likely to accept a governor's issue proposals earlier in the governor's term. Much of the literature has suggested executives achieve their greatest policy victories in their first year,[38] though many previous studies have not established such a link for budgeting success.

Consistency of governor's issues: It is expected that a legislature is more likely to accept proposals of a governor who consistently advocates for the same budget issues. The governor must constantly deflect legislative diversions and call attention to the original budget agenda.[39] The issue-based data used in this study provide a unique way to measure and test consistency of gubernatorial action. Because each issue is tracked through the entire budget debate, it is possible to compare issue scores in different parts of the process. The consistency variable is the correlation between issue scores in the first month after the governor releases a budget and scores for the remainder of budget deliberations.

Limited agenda: It is expected that a legislature is more likely to accept proposals from a governor with a limited agenda. Prior studies suggest executives are more successful in the budget process when focusing on a small number of attainable issues.[40] As with the consistency variable, the issue method of data analysis provides a new way of measuring agenda size. A limited agenda is measured by determining the extent to which a

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Government, *Journal of Politics* 62, no. 4 (2000): 1052-3.

[38] Paul C. Light, *The President's Agenda: Domestic Policy Choice from Kennedy to Reagan*, rev. ed. (Baltimore: Johns Hopkins University Press, 1991), 43. James P. Pfiffner, *The Strategic Presidency: Hitting the Ground Running*, 2[nd]. ed., rev. (Lawrence: University of Kansas Press,1996), 3-4. Schick, *Federal Budget*, 78. Casey B.K. Dominguez, "Is it a Honeymoon? An Empirical Investigation of the President's First One Hundred Days," *Congress and the Presidency* 32, no. 1 (2005): 75.

[39] Alan Rosenthal, 1990. *Governors and Legislatures: Contending Powers* (Washington: Congressional Quarterly Press, 1990), 104.

[40] Ibid., 89-97. Light, *President's Agenda*, 52. Schick, *Federal Budget*, 81.

governor concentrates on the top four budget issues, adjusted for the total number of issues in the budget process.

Analysis

There are two separate analyses of the data. First, multiple regression analysis (ordinary least squares) is employed to test the theory advanced in this study and to explain variations in legislative acceptance of governor's budget issue proposals in terms of the variables discussed above. Second, correlation analysis is employed on subsets of budget issues to explore how the dynamics of issue acceptance vary with issue type.

Explaining Legislative Acceptance—Regression Analysis

Table 3 summarizes the results of a multiple regression analysis of the model described in the previous section. [41] The table shows that policy and political variables both help explain legislative acceptance of governors' issue proposals, but together they leave most--86 percent--of the variation unexplained. In part this may be due to the distribution of the dependent variable, which has many cases at the "tails," where legislatures either did not act on the governor's proposal, or where they approved it exactly. More important, the results suggest legislative acceptance of issues depends on other, less measurable, factors, which may include surprise events like California's electricity shortage and New York's

[41] In order to increase the utility of regression analysis of these data, two adjustments are necessary. First, the independent variable—index of legislative acceptance of issue proposals—is transformed to create a more normal distribution. While the transformed distribution meets conventional tests of skewness and kurtosis, it remains non-normal due to the high number of cases in both tails. This results from many cases with "0" scores—the legislature departed entirely from the governor's proposal—and "100" scores—the legislature accepted the governor's proposal exactly. While the transformed variable is not perfectly normal, in samples of this size the departure from normality does not have an effect on estimates of variance, according to Barbara A. Tabachnick and Linda S. Fidell, *Using Multivariate Statistics*, 3rd ed. (New York: Harper Collins, 1996), 72-3. Second, 13 issues are omitted from the analysis. These included all four issues from Minnesota, an outlier on election margin, and Mississippi, an outlier on several variables, as well as five issues where governors proposed increases or decreases exceeding $100 per capita. Excluding these cases eliminates the possibility of attributing greater significance to a variable due to the influence of one or a few extreme outlier cases.

terrorist attacks, political factors unique to each state, and the skills of governors and legislators.

Table 3—Regression Analysis of Legislative Issue Acceptance

Independent Variable	All Issues (N=187) Coefficient (Beta)
Issue size	0.092 (0.060)
Common issue	9.02* (0.132)
Function of government	0.489** (0.157)
Governor's power	- 0.004 (0.000)
Legislative term limits	10.455* (0.149)
Economy	- 2.823** (- 0.140)
Governor's election margin	0.567 (0.102)
Year in governor's term	- 6.022** (- 0.170)
Divided government	- 6.913 (- 0.096)
Split legislature	- 5.285 (- 0.070)
Consistency of governor's issues	15.740 (0.108)
Limited agenda	- 0.364 (- 0.097)
Intercept	- 5.881
R^2	0.142
Adjusted R^2	0.082***

Note: Heteroscedasticity may be rejected based on results of the Breusch-Pagan test and autocorrelation may be rejected based on the Durbin-Watson *d* statistic.
*$p < .10$
** $p < .05$
*** $p < .01$

The nature of the policy issue has a clear impact on whether the legislature accepts the governor's proposals. As expected, common issues have higher acceptance scores than less common ones, suggesting that governors and legislatures perceive the major needs facing the states and agree on how to address them. Issues proposed four or more times scored nine points higher on the 0 to 100 scale of legislative acceptance, other factors being equal ($p < .10$). The control variable for function of government was also significantly ($p < .05$) and positively related to legislative acceptance. This suggests some proposals are more likely to be more accepted solely because of their subject matter. It is likely, however, that these issues vary over time; one cannot expect criminal justice proposals to do better than economic development proposals in all settings and times. While larger expenditure increases (and larger revenue decreases) did receive greater legislative acceptance, the results was far from statistically significant.

Some political factors were important in explaining legislative acceptance, while others were not. Results were mixed, for instance, on institutional factors. Controlling for other variables, the legislative acceptance score was 10 points higher for term-limited legislatures ($p < .10$). This adds evidence for the claim that term limits make legislatures more deferential to the executive. On the other hand, the governor's formal power was completely unrelated to legislative acceptance; apparently legislatures do not follow the governor's lead due simply to the power of the office.

As expected, the economy had a significant impact on legislative acceptance. A stronger economy—measured by income growth and unemployment—made it less likely that the legislature would accept the governor's issue proposals ($p < .05$). A strong economy probably offers legislators more opportunity to pursue their own budgetary goals, both because revenue is more likely to be available and because there is more political support for expanding government. On the other hand, a weak economy makes it difficult for the legislature to add programs without reducing elsewhere; in such circumstances the legislature may be content simply to follow the governor's lead.

Of four electoral variables, all were related to legislative acceptance in the expected direction, but only one was statistically significant. Legislative acceptance fell six points for each year in the governor's term, after accounting for other variables ($p < .05$). This result suggests a dramatic drop in legislative support—a loss of 18 points on the 100-point scale from the first year of the term to the fourth. This finding confirms most prior studies of time in office and underscores the importance of making major policy initiatives early in the term. Results also indicate that legislative acceptance of governor's proposals was higher if the governor had a higher election margin and more party support in the legislature but none of these results are statistically significant. Elections may affect legislative responses to the governor's budget, but they do not control them.

Neither variable that sought to measure the impact of the governor's political approach to budget issues had a strong effect on legislative acceptance. Legislatures were more likely to accept proposals from governors who consistently advocated their budget issues, but the result fell short of statistical significance. Limiting the agenda also had an insignificant impact on legislative acceptance, and the relationship was the opposite of expectations. Governors with a broad agenda had higher legislative acceptance scores. Additional work is needed before conclusions can be drawn about the impact of gubernatorial approaches to advocating for budget issues. Both measures in this study are new and both can only be applied in a study that uses similar methodologies to identify and score budget issues. Other methods and measures can be employed to better understand the relationship, if any, between issue consistency and agenda size and legislative acceptance of budget issue proposals.

Differences Among Issues—Bivariate Analysis

Theodore Lowi dramatically changed the study of public policy by suggesting that the type of policy helps determine the political environment in which the policy is debated.[42] While a test of Lowi's typology of policies is both appropriate and necessary to a better understanding of legislative acceptance of governor's budget issues, it is outside the scope of this paper. The data of this study do, however, provide some preliminary ideas on how legislative acceptance varies with policy type. Tables 4 and 5 compare relationships between legislative acceptance and the independent variables for subsets of policy issues. Because of the relatively small sample size, only four subsets of issues are studied and correlations and difference of means are employed rather than regression analysis. The four subsets of issues are taxation (the second most common issue and an area where significant differences from expenditure issues might be expected), education (the largest share of state spending and the most common issue in the study), non-education spending issues, and all spending issues. [43]

Tables 4 and 5 summarize bivariate relationships between legislative acceptance and independent variables for the subsets of issues and for all issues taken together. Table 4 shows correlation coefficients between legislative acceptance and the continuous

[42] Lowi, "American Business: 688, Theodore Lowi, "Fours Systems of Policy, Politics, and Choice." *Public Administration Review* 33 (July/August, 1972): 298-310.
[43] Outlying cases that were omitted from the regression analysis are included in the remainder of the analysis.

independent variables. Table 5 shows differences of mean legislative acceptance for dichotomous and categorical variables. Together, the tables provide some evidence for the contention that politics are different for different policies.

Table 4.— Correlations of Issue Success with Continuous Variables for Selected Subgroups

Independent Variable	Taxation Issues (N=34)	Education Issues (N=80)	Other Spending Issues (N=86)	All Spending Issues (N=166)	All Issues (N=200)
Issue size	.260	.116	.090	.094	.166**
Function of government	--	--	.212*	.144	.142**
Governor's power	.250	- .034	- .094	- .061	.001
Economy	- .181	- .213*	- .043	- .129*	- .136*
Governor's election proportion	.074	.167	.237**	.199**	.172**
Year in governor's term	- .066	- .136	- .157	- .142	- .116
Consistency of governor's issues	.468***	- .048	.082	.011	.092
Limited agenda	- .134	.047	- .124	- .044	- .060

Cell entries are Pearson's r
*$p < .10$
** $p < .05$
*** $p < .01$

Legislative acceptance of governors' taxation proposals was noticeably different from acceptance of spending proposals. Two variables had statistically significant relationships with acceptance for taxation issues but not for other issue types. The governor's consistency in advancing proposals was significantly correlated with legislative acceptance for taxation issues ($p < .01$). Acceptance was significantly lower for governors in divided government states than in unified government states ($p < .05$). Apparently, governors must work harder and have better partisan support to have their taxation proposals approved. The latter finding sheds more light on the nature of action on redistributive budget proposals. Taxation proposals are redistributive in nature and, in this study, the most likely to be partisan issues. Hill and Plumlee found that redistributive spending proposals at the national level were more affected by divided government than any other policy type.[44] While no other relationships are statistically significant, legislators appear to be more responsive to the size and direction of the governor's proposal (large tax cuts are more likely to be accepted than large increases), to the governor's formal power, and to a weak economy for taxation issues. On the other hand, election margin and year in term are less important for taxation issues than any other type.

Table 5.—Means of Issue Success for Categorical Variables for Selected Issues

Independent Variable	Taxation Issues (N=34)	Education Issues (N=80)	Other Spending Issues (N=86)	All Spending Issues (N=166)	All Issues (N=200)
Legislative term limits:					
Yes	64.64	67.05	62.00	64.61*	64.61**
	(39.16)	(33.94)	(29.75)	(31.83)	(32.69)
No	45.74	55.58	54.57	58.61	53.29
	(43.01)	(36.57)	(29.04)	(32.53)	(34.77)
Legislative partisan arrangement:					
Unified Gov't.	62.82	65.54	54.48	60.39	60.86
	(43.40)	(38.92)	(32.87)	(36.34)	(37.50)
Split Legis.	48.88	56.24	62.53	59.81	58.17
	(50.02)	(32.74)	(28.62)	(30.31)	(33.67)
Divided Gov't.	38.61**	57.21	54.40	55.73	52.96
	(32.71)	(34.91)	(26.82)	(30.67)	(31.40)

Cell entries are mean success and standard deviation.
For partisan arrangement, statistical significance is as compared to unified government.
*$p < .10$
** $p < .05$
*** $p < .01$

[44] Hill and Plumlee, "Policy Arenas," 93.

The politics of education issues appears to be somewhat different from those of taxation and other spending issues. Only one variable, the economy, was significantly related to acceptance of governor's education proposals ($p < .05$). The impact of a weaker economy is stronger for education than for other issues. A weak economy limits budget options and education is a visible and popular governmental function. When the economy is weak, governors may be able to offer and legislatures able to support only a few budget proposals. They are likely to select—and agree upon--those of highest priority to the public and interest groups, usually education. Broad agreement on the importance of education also can be found in the consistent and sometimes significant differences between education and other spending issues. Legislative acceptance for education issues is less sensitive to the governor's power, election proportion, consistency, and issue size than for non-education spending issues. While a governor may need power, a mandate, and political skill to achieve any budget successes, less seems necessary for education than for other spending proposals.

Legislative acceptance of non-education spending proposals was significantly related to the function of government ($p < .10$) and to the governor's election margin ($p < .05$). While not statistically significant, legislative acceptance was more closely and negatively associated with year in term for non-education spending than for other proposals. These issues are also least sensitive to the size of the governor's budget proposal, the economy, and term limits. Taken together the results suggest that a governor needs a strong election result and fast action to convince the legislature to accept spending proposals outside of education; absent a perception that the governor has a mandate to offer policy changes, the legislature does not defer to the governor's proposals.

Conclusion

Studying budget issues provides a new way of understanding legislative response to policy proposals. This study uses new data on budget issues to show how policy and politics interact in budget debates. While most variation in legislative acceptance of gubernatorial budget proposals remains unexplained, important relationships are uncovered. First, the most common issue proposals were more likely to be accepted by the legislature. This suggests states face common problems and that governors and legislatures are able to identify and agree upon these issues as priorities. It also hints that legislatures are more likely to approve "tried and true" proposals than those that are further from the norm. Second, proposals in some functional areas of government were more likely to be accepted by the legislature than others. In the year examined here, criminal justice and social services proposals were most successful, while taxation and economic development proposals were least likely to be accepted. Additional study will be needed to determine if such relationships are consistent among other governments and years. Third, institutional arrangements can affect legislative action on governor's budget issues; term-limited legislatures were considerably more likely to approve those proposals. Fourth, the economy affects budget outcomes, with a weaker economy increasing the likelihood that the legislature would follow the governor's lead on the budget. Fifth and finally, the legislature's propensity to approve executive proposals fell dramatically during the term of office.

An examination of different subsets of issues shows considerable commonality of factors that are associated with legislative acceptance of executive budget proposals, but also suggests interesting differences. In taxation issues, governors got more support from legislatures that were controlled by the governor's party and when the governor consistently advocated for the same budget proposals. Legislative acceptance of governor's education proposals was more sensitive to economic conditions—proposals were accepted more often with weaker economies—but not closely related to electoral politics or the governor's skill in advocating budget issues. Acceptance of non-education spending proposals was much more likely when the governor had a strong election performance and marginally more likely earlier in the governor's term. The success of these proposals was also sensitive to the substance of the policy. While more exploration along these lines is necessary to draw firm conclusions, it appears that tax proposals and education policy indeed create different politics—and have different roads to success—than other policy issues.

This study suggests many additional lines of inquiry that can help improve the understanding of budgeting as a policy and political process. The data used in this study can be examined in terms of policy typologies offered by Lowi and others. They can also be used to begin an exploration of how policy and political conditions influence what governors propose in the budget process. Most importantly, the study of budgets based on issues, rather than just agency and total budgets, can and should be applied in other times and settings.

APPENDIX

Document Weighting for Issue Identification

Document Description	Weight
<u>Documents from governor</u>:	
State of the state address	5.0
Budget address	4.5
Written budget message and summaries	4.0
Budget press release	4.0
Budget document detail sections	3.5
Press releases between proposal and adoption of budget	3.0
Press releases after adoption of budget	2.5
<u>Documents from executive budget office</u>:	
Budget analyses after adoption of budget	2.0
<u>Documents from legislative fiscal office</u>:	
Analysis of governor's proposal	4.0
Analysis of adopted budget	3.0
<u>Newspaper and wire service articles</u>:	
Up to the month following governor's proposal	3.0
From the month following governor's proposal to adoption	2.0
Following adoption	1.0