



STATE AND LOCAL GOVERNMENT REVIEW

*A journal of research and viewpoints on
state, local, and intergovernmental issues*

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INFORMATION FOR AUTHORS

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THE 2002 ELECTION in Georgia ended 130 years of one-party rule. Divided government resulted in lobbyists having to reorient their approach to the legislature and the governor. Rather than relying on a few powerful Democratic leaders to determine the fate of legislative proposals, lobbyists have had to work harder with more people in their efforts to influence decisions. Republican control of the senate and the governorship created opportunities for lobbyists with GOP connections and resulted in a larger cadre of lobbyists. Lobbyists who changed their strategies stressed the legislative merit of their proposals and concentrated on gaining bipartisan support. The Georgia example indicates that as the legislative climate in a state changes, so too does interest group politics.

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*Richard C. Feiock, James C. Clinger, Manoj Shrestha,
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WHETHER ORGANIZATIONS should contract out for goods and services or produce them internally continues to be a subject of debate. Service contracting patterns in cities may be explained by the characteristics of goods and services and the extent of political and administrative uncertainty in city leadership. Turnover in executive leadership can affect the ability of local governments to negotiate contracts, make credible commitments to suppliers, and faithfully uphold and enforce contracts. When transaction costs resulting from turnover are high, contracting out becomes less likely. The results of this study show that both city manager turnover and certain service types significantly reduce the likelihood of service contracting, particularly with private, for-profit providers.

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THE EXTENT TO which local political structure relates to public policy has long been a topic of controversy among academics and practitioners, yet the role of administrative capacity in shaping public policy has been neglected. This study incorporates administrative capacity into the theory of political structure and public policy and empirically tests the factors that determine the adoption of various impact fees in Florida counties. The findings suggest that reformed governments have a modest effect on the likelihood of impact fee adoption and that administrative capacity significantly influences park service impact fees. Thus, officials may wish to consider local capacity in order to successfully implement programs and policy when making their decisions.

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LEGISLATIVE-JUDICIAL INTERACTION can be understood in terms of bill success in state legislatures. This study examines whether the anticipated actions of the courts to interpret, expand, or retract legislative meaning discourages or prevents policy making by legislatures. Specifically, the effect of ideologically extreme state supreme courts on the likelihood of ideological bill enactments is tested. The findings indicate that state legislatures are significantly less likely to pass legislation when state supreme courts are ideological. Furthermore, the party and power of the governor and committee sponsorship of bills are significant, and conservative bills are less likely to pass than liberal ones. Thus, there is evidence that judiciaries exercise preemptive suppressive powers upon legislation.

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107 Understanding State Spending on the Arts, 1976–99*Gregory B. Lewis and Michael Rushton*

THIS STUDY EXAMINES the effects of citizen and government characteristics on a highly discretionary and volatile budget item: state appropriations for the arts. Even though arts spending is relatively unimportant to most citizens, budgetary changes in this area appear to reflect citizen desires. Results of a panel data analysis show that spending rises with per capita income, state revenues, and political and social liberalism, but characteristics of state legislatures do not significantly affect spending. Thus, state government funding for the arts depends more on economic conditions and the political attitudes of citizens than on the ideology of legislators or on whether government is divided.

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GENERAL INTEREST

Partisan Change and Consequences for Lobbying: Two-Party Government Comes to the Georgia Legislature

Charles S. Bullock III and Karen L. Padgett

The one thing that always follows divided government is the lobbyists always take control of the state of politics. Nothing contradicted that this session; lobbyists got more powerful daily. And I don't want to exaggerate my own importance, but I was more powerful.

—anonymous environmental lobbyist

CRITICAL TO SUCCESS for a lobbyist is access to political elites (Truman 1951; Milbrath 1963; Hansen 1991; Wright 1996; but see Browne 1985 for evidence that regular access is not sought by some state lobbyists). A precondition for effective access is for the legislator to trust the lobbyist. Thus, the universal mantra of lobbyists is “never mislead a legislator” (Dexter 1969; Zeigler and Baer 1969; Rosenthal 1993). Development of trust takes time and repeated contacts. Access may be established through activities ranging from purely social interactions to doing favors to sharing information (Dexter 1969; Schlozman and Tierney 1986; Nownes and Freeman 1998b). Increasing demands on members of Congress have reduced time for socializing, and ethics rules restrict opportunities for lobbyists to curry favor by

providing goods or trips. Trust and access in Washington now largely derive from providing campaign funds or information relevant to a legislator's reelection (Ainsworth 1993; Hansen 1991), policy proposals under consideration (Wright 1990), or constituent preferences (Hansen 1991). Lobbyist-legislator relations at the state level vary: some states emphasize providing information to legislators while in others, socializing remains prevalent.

Lobbyists' relationships with legislators, once established, require periodic nurturing (Hansen 1991). In Georgia, the focus of this study, exchanges involve golf outings, campaign contributions, speaking fees, meals, receptions, tickets to sporting events, and access to research materials. One Georgia lobbyist who was interviewed for this study explained that access is gained through making deals and creating friends: “We try to give an information base, but we also recognize and appreciate [that there are] a lot of personal

An earlier version of this article was presented at the annual meeting of the Midwest Political Science Association, Chicago, April 15–18, 2004.

relationships involved.” As long as lobbyists and legislators find relationships mutually rewarding, they are likely to be maintained. The longer the relationship exists, the greater the legislator’s trust in the lobbyist.

Successful lobbyists identify key decision makers, establish access to them, and then concentrate on influencing them (Dexter 1969; Rosenthal 1993). For their friends in government relations, legislators may be willing to introduce legislation, hold hearings, or block or amend unwanted changes to proposals to render them insignificant. Business groups are especially likely to fight to maintain the status quo (Main, Epstein, and Elvitch 1992). Repeated interactions concerning shared policy objectives may prompt formalized lobbying efforts in which legislators ask colleagues to support policy positions. As Ainsworth (1997) explains, obtaining access and exerting influence are more easily accomplished when the overture is made by a legislator rather than a lobbyist. Under some circumstances, lobbyists, legislators, appropriate bureaucrats, and policy wonks may form a subsystem designed to shape a sphere of public policy (Cater 1964; Freeman 1965; Ripley and Franklin 1990) or become part of an issue network (Hecl 1978; Browne 1986; Walker 1991; Baumgartner and Jones 1993; Berry 1993).

Change threatens the continuation of mutually beneficial legislator-lobbyist relationships and creates uncertainty that lobbyists seek to eliminate (Salisbury 1990). Uncertainty about the locus of power and how to appeal to new legislative leaders increases the workload of lobbyists. Lobbyists must court those who have the newfound potential to affect policies critical to their clients, which demands cultivating new means of access. They must learn the leadership styles, interests, and constituency concerns of those who have gained control of the fate of their clients, with an emphasis on relevant committee chairs (Rosenthal 1993). Appeals are more likely to succeed when lobbyists show that the action sought by the interest group will promote a

legislator’s objectives. Demonstration of a linkage to the legislator’s constituency confers a degree of legitimacy on interest group requests (Kingdon 1973; Wright 1989; Ainsworth 1997) and sensitizes representatives to the potential electoral consequences of their actions (Ainsworth 1995).

This study focuses on the dynamics of the relationships between legislators and lobbyists that result from change in partisan control. The 2002 election ended 130 years of one-party domination in the Georgia General Assembly, resulting in a Republican governor and senate majority and a Democratically controlled House. The shift in government forced lobbyists to forge new alliances. Interest group representatives who had occupied enviable positions in the *ancien regime* scrambled to establish influence with new leaders. In particular, they had to develop relationships with Republicans who were hesitant to rely on lobbyists who for years had been close to Democrats. Lobbyists had to become more involved in the legislative process, which meant that they had to spend more time selling the merits of their proposals rather than depending on a few key legislators’ muscle.

The shift in party control allowed more legislators to participate, which paved the way for new entrants into the lobbying profession. In the altered environment, lobbyists with close ties to Democrats encountered obstacles when trying to access GOP leaders. More collaborative lobbying and changes in the distribution of campaign contributions resulted as lobbyists worked to reduce the uncertainty that they now faced.

To get a perspective on how lobbying in the Georgia General Assembly changed, telephone interviews were conducted with 44 lobbyists and 18 legislators.¹ Neither set is a random sample. The respondents included various legislators and lobbyists whose activities in the General Assembly took place before and after the 2002 election. Both chambers were represented among the 10 Republicans and 8 Democrats. Representing interest groups were 27 contract lobbyists, 11 agents

of corporations and trade associations, and 6 representatives of public interest groups. Members of the largest lobbying operations were interviewed along with individuals who worked for a single client. Georgia's leading economic interests were represented, as were groups that have no economic clout. The study concentrated on the most active lobbyists and focused less on those who spent little time at the capitol. Lobbyists and legislators were asked a set of open-ended questions about how lobbying had changed as a result of divided government.

Lobbying in Georgia

Georgia's large legislature (180 representatives and 56 senators) remains relatively unprofessional (Fleischmann and Pierannunzi 1997). Its members earn \$16,000 per year and meet for only 40 days per year. The legislature has little staff; most committees having a half-time secretary and an intern. Each chamber's research office has a small but permanent full-time staff. In most years, much of the controversy in the legislature involves the budget. Improving education, limiting health care costs, and maintaining low taxes are continuing items on the General Assembly's agenda.

With staff and private think tanks scarce, lobbyists are critical sources for technical advice on policy content and alternatives and their consequences. Lobbyists and organized groups also represent the interests of citizens before government. As Fleischmann and Pierannunzi (1997, 126) note, the state has a "hybrid political system with interest groups dominating policy at times and complementing (i.e., working with other institutions) on other occasions."

Democrats controlled all aspects of state politics from the 1870s until the 1990s and maintained majorities in both legislative chambers until 2003. Although the lieutenant governor, who presides over the senate, does not run on the same ticket with the governor, the two usually had a good working relation-

ship. Democratic governors typically secured the support of the House speaker for their initiatives. Until 2005 the speaker appointed all House committee chairs and members (including members of the minority party); the lieutenant governor had comparable authority in the senate before 2003. Fleischmann and Pierannunzi (1997, 126-27) sum up the implications of the prolonged power centralization, concluding that "the historical lack of competition among political parties has helped nurture a network of influential interest groups."

During the era of Democratic Party dominance, leading lobbyists sometimes functioned almost as an arm of the party.² Powerful lobbyists met daily with the House speaker during the session. These regular meetings enhanced the perceptions of their power and attracted lucrative clients; in return the lobbyists shared information with the leadership while showering Democratic leaders with campaign funds, tickets and junkets. At times, lobbyists were pressed into promoting Democratic policy initiatives, as illustrated by one of the most controversial legislative actions in recent years. Gov. Roy Barnes enlisted the help of leading contract lobbyists to push through a change in the state flag so that the St. Andrew's cross of the Confederacy no longer dominated it.

Most observers expected the Democratic Party to retain the governorship and majorities in both legislative chambers in 2002. Lobbyists spent little time worrying that the ties they had forged with key legislators and the governor would suddenly be devalued. Few lobbyists had begun broadening their networks in anticipation of a new day. Instead, prudent group representatives invested in the future of the Democratic Party by contributing to the unprecedented campaign treasury aggressively amassed by Barnes. Only lobbyists who already had close personnel ties to the GOP contributed to challenger Sonny Perdue.

In 2002, Barnes, who had set the legislature's agenda and used his powers to secure

most of his policy objectives (Associated Press 2000), lost reelection. Republicans, who emerged with 30 of 56 senate seats, stripped from the Democratic lieutenant governor control over committee assignments, scheduling, and appointment of conference committees. The 28-year incumbent House speaker lost reelection, although Democrats retained a majority. For the first time in generations, Georgia had divided partisan control.

Changing Strategies

After the 2002 elections, the roles of lobbyists in Georgia became more complicated. With divided government came decentralization, and decentralization meant that lobbyists had to interact with more legislators. This study examines how lobbying used to be conducted up until 2003 compared with 2003–4.

Pre-2003

One of the most respected lobbyists interviewed for this study explained how his profession used to work before 2003. “In Georgia, lobbying [meant] meeting with one or two persons in leadership, [getting] their approval, and then . . . educating members that the leadership is behind this measure. And [the proposal would] pass or die depending on the movement of the leadership.” A newspaper wrap-up after the second session of divided control made the same point. “Only two years ago, the General Assembly was the property of a small group of long-serving politicians with near-total control. Negotiations over budgets—and anything else—played out with the ease of a weekly poker game. It wasn’t always fair, but it was predictable” (Galloway 2004). The belief that lobbying involved mobilizing no more than a handful of key leaders in the Democratic Party was echoed by nearly all lobbyists, several of whom referred to the approach as “one-stop shopping.” “Lobbying is working the leadership because those elites in their respected chambers determined the flow of policy and legislation,” said a public interest lobbyist.

Some lobbyists referred to this approach as “securing the blessing” that could ward off defeat or modification

When lining up sponsors to introduce proposals, lobbyists would ask a committee chair or a Democratic leader to sign on to a bill. The sponsor, after being educated about the bill’s merits, potential opposition to it, and its consequences would speak in behalf of the legislation in committee and on the floor. Lobbyists would monitor the passage of their proposals through committee, trying to help members understand the legislation while discouraging detrimental amendments. Once the legislation passed out of committee, lobbyists usually would rely on the bill’s sponsor and chamber leadership to ensure passage. “We stayed in the background, keeping the members pumped up,” explained a contract lobbyist.

Many groups sought to maintain the status quo; these efforts had been centralized. If a “friendly” committee chair failed to keep a bill bottled up in committee, a lobbyist would ask the leadership to waylay the bill in the Rules Committee, kill it on the floor, or amend it to eliminate provisions that the client judged to be objectionable.

2003–4

Getting a bill through the General Assembly became more complicated in 2003. According to a contract lobbyist, lobbyists could “no longer depend on one or two people to shepherd their bills through. You’ve got to go in and work at the subcommittee level. You’ve got to talk to every member there. At the committee level [it is] the same. You’ve got to work every one of those members, just like they were the most important person there.”

“In the past, people who you would go to just for a courtesy call are now helping us write the legislation,” remarked a business lobbyist. According to a trade association representative, “more people have a voice now in the decision-making process. Freshman members are aggressive with their agendas, and as lobbyists, you can’t ignore one because

you may need his vote.” “It takes longer and you have to talk to more people,” lamented a senior lobbyist. “In the past all you had to do was talk to the leadership; now the leadership is not in control.”

Divided control in the government enhanced the influence of the minority party in the House because senate Republicans could derail bills passed by the lower chamber if the concerns of House Republicans were ignored. Moreover, House Republicans exploited the dispersal of power among Democratic Party factions that resulted from leadership passing to a new speaker. When urban, liberal Democrats disagreed with their conservative, rural counterparts, Republican votes could determine floor outcomes. For example, a unified GOP joined by about half the Democrats passed a constitutional amendment banning gay marriages. Democrats declined to bring to the floor a bill to redraw House districts that had been invalidated by a federal court. Democrats allowed the court to take remedial action because they feared that if a bill came to the floor, Republicans would attract enough Democratic dissidents to hijack the pro-Democratic districting plan.

The need to touch base with more legislators forced lobbyists to spend more time walking the halls, interacting in the capitol and at social gatherings, and becoming familiar with the new leaders, junior members, and the administration. Lobbyists had to not only devote more attention to committee hearings but also draft bills that could stand on merit and that would have bipartisan appeal rather than rely on the reputation of the sponsor. The senate majority whip noted that lobbyists “spend more time coming before committees, educating [them] and showing the merit of bills.”

With the chambers controlled by opposing parties, lobbyists worried about lining up sponsors for their bills. Prior to divided control, the identity of a bill’s sponsor became a potential problem only when personal rivalries or an abrasive personality made an individual an unattractive sponsor. In the new environ-

ment, a legislator’s history of partisan conflict became an issue and diminished the allure of some senior members who would have carried legislation in the past. One public interest group lobbyist commented, “We had to be careful who we got to sign on as sponsors so that the sponsor in one chamber [would] not be the kiss of death in the other chamber.” “I’m careful not to show partisanship since our issues aren’t partisan,” a health care lobbyist explained. One Republican contract lobbyist noted that, “With divided control, it is sometimes better to find noncontroversial members in both chambers and start the bill simultaneously.”

Furthermore, lobbyists sometimes preferred working with low-ranking committee members who had not been drawn into major partisan battles as opposed to high-profile actors. A new Republican senator concluded that lobbyists were not “using leaders, but asked rank-and-file members to carry bills. As a freshman, I was asked . . . to work with them on a local legislative matter.” This statement contrasts with the more general finding that more experienced lobbyists tend to have the best relationships with legislators (Nownes and Freeman 1998a).

Once appropriate sponsors were identified, lobbyists had to push their bills through the legislature because they could no longer depend on respected Democrats to usher them through. According to one lobbyist, leadership remains important but “there’s less assurance that even the most committed leader . . . is going to be able to help.” “It used to be that you knew what would happen on the floor. If a bill came out of Rules [Committee], you knew that the Democrats had decided what they wanted and that they were in control. Now you don’t know what will happen on the floor,” said an agent for big business. “Nothing is easy. Even the tiniest piece of legislation is difficult to get passed.” Moreover, the new leadership had a more transparent operating style and tried to fashion a consensus involving greater numbers of senators rather than rule by fiat.

Although lobbyists applauded certain consequences of the change in senate control, they also expressed frustration. A business representative who pointed to “a huge learning curve for the Republican leadership” said, “Republicans don’t control their own caucus in the senate. . . . You will meet with the senate leadership, and they will make a commitment that they are going to have a vote on a particular issue or amendment the next day. You spend the afternoon polling the membership and lining up votes, but then you get a call at 8 o’clock the next morning and they say they are not going to bring the issue to the floor. They won’t stand up for you. After making a commitment to have a vote, they don’t go full steam ahead on it.”

Increased uncertainty about the fate of legislation, decentralization of power, and the need to at least touch base with a greater number of members prompted lobbyists to join forces more often than in the past. Approximately three-fourths of the lobbyists in the survey reported a higher incidence of coalition lobbying as Georgia moved in the direction of collaborative efforts that were already widespread in many states (Rosenthal 1993). “In the past,” observed an attorney who had corporate clients, “a lobbyist gained access through the influence of money and contacts. Contacts with the speaker, the governor, or the leadership [were] what lobbyists cultivated. Now you have to build coalitions.”

Divided control affected the distribution of campaign funds made by lobbyists and their clients. Campaign contributions may not buy favorable outcomes, but they do buy access (Rosenthal 1993; Herrnson 1998). Not surprisingly, most legislators reported that the greatest change in lobbying strategy involved the division of campaign contributions. Barnes and his party leaders had threatened to block access to lobbyists who gave to Republicans rather than Democrats. Now, said a junior Republican, “There is a better balance of campaign contributions. It is easier for Republicans to get money.” According to

a contract lobbyist, “Both sides are eager for money, and you can’t ignore them.” To illustrate how majority status helped the GOP, in 2001 only two Republican senators raised \$100,000 in campaign funds; in 2003, nine Republican senators surpassed that amount (Salzer 2004).

The Ranks of Lobbyists

The challenges posed by divided government prompted an expansion in the ranks of those paid to influence public policy. Republican lobbyists hoped to exploit their party’s new power and urged the governor and senate leaders to direct business their way. As a model, Republicans pointed to the K Street Project (named for the eponymous street in Washington, D.C.) that was launched after their party took control of Congress in 1994. The project allegedly was designed “to oust the Democrats from top lobbying jobs in Washington” by encouraging lobbying firms to hire Republican sympathizers, thereby granting lobbyists access to important GOP officials (VandeHei and Eilperin 2003). Several lobbyists who had good relationships with key decision makers in the past encountered a wall that prevented some interactions with Republican senate leaders and the new governor. A public interest lobbyist commented, “You could not get into the door. We felt we weren’t allowed in the process.” “Some Democrats [lobbyists] were scared and saw their careers in jeopardy,” said a corporate spokesperson. “People remember who you supported in the past,” said an agent for the health care industry. A lobbyist working out of a law firm concurred. “If you are recognized as in bed with one team then when you go to the other team, your plan may run into the wall. You get no traction with that other team.”

Very few lobbyists thought Perdue could defeat Barnes in what Sabato (2003, 24) identified as “the GOP’s most stunning upset” of 2002. No Georgia governor had been denied a second term, and polls always showed the

incumbent running well ahead of the poorly financed challenger. Interest groups responded generously to Barnes's fundraising efforts, which generated more than \$20 million—six times what Perdue spent. Few contributors hedged their bets, and many lobbyists refused even to return Perdue's calls. Once they got over their shock, well-heeled lobbyists quickly set out to make amends for their electoral miscalculations. A Democratic legislator spoke dismissively of how lobbyists "scurried to the [new] governor's door after the election with a check and a hand-shake of support." Lobbyists who had supported the Barnes reelection "started unloading money on Sonny and his enormous inauguration," observed a senior Democrat. Several lobbyists who had corporate clients acknowledged making "catch-up" contributions to underwrite the cost of the inauguration.

The impetus to get on Perdue's good side came from rumors that his receptionist maintained a list of those who had snubbed him, with instructions to deny them access. One lobbyist stated, "We were told lobbyists were not welcomed at the governor's office, only to be notified later by his chief of staff that this was a miscommunication." A GOP legislator confirmed lobbyists' perceptions. "Lobbyists had a tough time getting in to see the governor; they didn't know how to get him the information." Another Republican legislator saw the treatment of lobbyists as indicative of an administration that was less accessible than its predecessor: regarding the governor's attitude toward lobbyists, the governor "didn't ignore them or shut the door; he wasn't concerned with them." Explained a moderate Republican, "You don't forget those who supported the opposition, but you try to show them the other side and pull in more support for you if you can. You let them know now who is making decisions."

Some of the problems associated with access to the governor stemmed from the way in which he organized his office and his style of leadership. Even lobbyists who believed they had a close relationship with Perdue dur-

ing his senate tenure had difficulty seeing the governor. "He had a bunch of new kids in there, and I don't think they really knew what they were doing, but tried to look like they did. Most of the time, responses or requests by a lobbyist were either ignored or they never got to the governor." The executive director of an organization of public officials fretted that Perdue and his staff did not want others to be involved in the decision-making. Several legislators believed Perdue shunned an open-door policy because he wanted to avoid appearing to be influenced by special interests.

Perdue's ideas about the governor's role also influenced his interactions with lobbyists. Perdue had a more restricted agenda than did his two predecessors. During the campaign, Perdue criticized Barnes's involvement in redistricting, education reform, and other items as indicative of a power-hungry tyrant. In other ways, "He is a hands-off governor," said a Democrat of Perdue. "He didn't come to committee meetings; his staff didn't interact with legislators. He gave us an issue to handle without an idea of his position." Perdue deferred to the legislature to the extent that he refused to veto a bill opposed by business interests, explaining to a lobbyist that if the General Assembly insisted on passing bad legislation, he would let some of it become law. Although partisanship played a role, Barnes's former chief of staff was not alone in criticizing Perdue for attending the NCAA Final Four and the Braves opening game and going home early as the legislature struggled with the budget, education funding, and other issues in the closing days of the 2004 session (Kahn 2004).

It would be inaccurate, however, to paint Perdue as a mere bystander. He actively courted Democrats by offering them inducements to change party and successfully wooed four senators and five representatives. When the legislature failed to follow his lead in arranging financing for a new indigent defense program, Perdue called members back into special session.

Increasingly lobbyists thought companies and organizations “need to have two lobbyists—one with Democratic partisanship and the other tied to the Republicans.” A staunch Democrat employed by a large law firm explained that his employer met this need for balance, citing the example of a senior partner who was a leading figure in Republican circles. A contact lobbyist noted the need for three-person operations with a separate agent to work with the 50-member Georgia Legislative Black Caucus.

New firms led by Republican former legislators, campaign managers, and activists emerged to exploit divided government. “We’ve seen a little infusion of what I sometimes call ‘wonder boys’—these new guys with this Republican administration and senate,” said the leader of one of the premier contract lobbying firms. “Guys showing up that have never had much lobbying experience but do have some access with some of the leadership—they showed up, setting up shops.”

The new Republican operatives solicited clients, claiming that lobbyists with close ties to the previous administration lacked credibility with its successor. “One of the biggest problems,” according to a veteran lobbyist, “was all the pure, absolute, dedicated Republican young guys who thought they were going to run in and take everybody’s clients.” “Now some of these new ‘wonder boys’ and the shops they work for are inclined to try and take business away from people. That is something we have not seen before, because there’s sort of a code amongst lobbyists that you don’t solicit business from another lobbyist’s client base unless someone is ready to make a move.” Some of the new Republican-oriented firms have since flourished and succeeded in luring a share of the business away from established operators who prospered in the past.

Several Democrats reacted to the altered environment by criticizing what they saw as partisanship in the lobbying profession. In the monochromatic Democratic era, these lobbyists perceived little partisanship. Now,

Democrats were unsettled by the discordant tones of Republicans. A senior urban Democrat characterized changes in the following manner, “Lobbyists try to be neutral, but this year we saw many firms hurrying to hire new Republican-leaning lobbyists or lobbyists with Republican access.” An urban liberal remarked, “Some lobbyists just came out suddenly for the Republicans, which showed some officials that these participants weren’t staying neutral anymore.”

Objective measures indicate that the lobbying corps grew with divided government. According to an ethics commission official, from 2000 through 2002, Georgia had “approximately 1,000 registered lobbyists, but in 2003, [there were] 1,400 registered lobbyists” (Bonnie Reid, Georgia State Ethics Commission, telephone interview February 26, 2004). Although there is no evidence that the new practitioners were Republicans, the increased numbers jibe with claims that divided government created new opportunities, perhaps similar to those made available by the K Street Project initiated by the GOP in 1994.

Interest Group Influence

Scholars of lobbying note the difficulty in determining what role interest group representatives play in shaping legislation (Nownes 2001). Zeigler and Baer (1969) concluded that most legislators view lobbyists as “informants” who provide necessary technical information on policy. In contrast, lobbyists characterized themselves as “persuader[s] . . . trying to influence the legislators’ decisions on policies” (1969, 107). Hansen (1991) noted that when groups acquire information and money, they achieve influence and rarely apply pressure (see also Wright 1996). Given these differing opinions, Georgia lobbyists who claimed more opportunities after 2002 might have perceived themselves as having more influence than they actually did. Half the lobbyists who felt they had gained power with divided government pointed to “the uncertainty in leadership decisions, no set agenda on the

House side, and the ability to play a chamber against the other chamber.”

Some lobbyists noted a leveling of the playing field. An agent whose firm prospered as a result of the shift in party control stressed that “in the past, the same people always won.” Even a senior lobbyist with impeccable Democratic credentials was optimistic: “I always liked [former Speaker] Tom Murphy, but with him gone it makes it easier for me. I wasn’t an ex-legislator so I wasn’t one of his favorites.” Thus, the evaluations of how lobbyists’ influence changed under divided government did not simply parallel party lines. Some Democrats lacked clout in the era of Democratic hegemony, and they—along with the Republican upstarts—found the dispersal of power to their liking.

Whether a lobbyist felt more powerful may have depended on the client’s objectives. Divided government helped interest groups who favored the status quo. Uncertainty created by new officeholders who were learning new roles and the increased number of legislators who could affect outcomes expanded the opportunities for those who wished to stall action. Heightened partisanship further abetted the agents of inaction. Legislators described Georgia’s new political environment as “heated,” “tense,” and “more political and partisan-driven.”

Groups seeking change confronted a system in which stasis was more likely. The General Assembly failed to deal with ethics reform, tort reform, increased funding for health care, more support for education, funding of a statewide system to provide indigent defense, and even court-mandated redistricting during the first biennium of divided government. The paralysis became so pronounced that in 2004, the legislature failed to enact a balanced budget—the one piece of legislation that must be passed each year—necessitating a special session.

Conclusion

As of 2003, the old system of Georgia state government in which a few powerful Demo-

crats determined the fate of legislation ceased to exist. The two-party competitive system in Georgia allows greater numbers of interest groups and their representatives to affect state policy. Some groups pursued access by employing new agents while others retained firms that expanded their operations to include people with GOP connections. Many lobbyists embarked on a crash course in broadening contacts in a furious effort to obtain access as they recalibrated their efforts to devote more attention to Republicans or give more generously to the emerging party. Chances for new operatives and the entire lobbying community to act in different ways arose in response to the demise of an entrenched system with which many had been comfortable.

Lobbyists have had to be more vigilant in keeping up with bills throughout the enactment process and can no longer simply rely on endorsements by the governor, lieutenant governor, speaker, or committee chairs to guarantee outcomes. They have had to pursue access more aggressively and meet with the leaders of every legislative faction to educate them about the issues. Formerly, when power was centralized, interactions between legislators and lobbyists involved invitations to dinners, tickets to sporting events, golf outings, and visits to hospitality suites, but there has been a notable decline in such perks (Smith 2004). Instead, lobbyists must have more substantive knowledge and stress the merits of their proposals to the new generation of leaders.

To the extent that “what you know” supplants “who you know” as a criterion for successful lobbying, opportunities for new types of lobbyists have emerged. Representatives of groups who heretofore lacked the resources to maintain a hospitality suite, host a reception, or take legislators to dinner may find legislators more receptive to lobbyists who are able to supply valuable information than to well-heeled operatives. The new atmosphere, in which the provision of information is emphasized, also may be conducive to the participation of women lobbyists, who

formerly tended to be excluded when camaraderie served as the basis for successful interest group representation.

It is likely that a diffusion of power similar to what occurred in Georgia accompanied the end of one-party politics in other southern states, 10 of which already have seen divided control between the legislative and executive branches (Georgia was the last southern state to elect a Republican governor). Six southern states have experienced a period of divided control in their legislative chambers. This study captured the immediate consequences of partisan transition in Georgia. Should the opportunity arise, researchers may wish to study such transactions in the four states in which Democrats have maintained control of both legislative chambers since Reconstruction.

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Notes

1. The survey instrument is available from the authors.
2. The ties between most successful Georgia lobbyists and the Democratic Party were stronger than those between the Farm Bureau and the GOP in the 1950s (Hansen 1991). Linking its fortune to one party caused problems for the Farm Bureau, as it did for many Georgia lobbyists when the Democrats lost their political edge.

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Contracting and Sector Choice across Municipal Services

Richard C. Feiock, James C. Clinger, Manoj Shrestha, and Carl Dasse

WHETHER ORGANIZATIONS should contract out for goods and services or produce them internally (i.e., the “make or buy” decision) has intrigued scholars of public agencies and private firms for decades (see Coase 1937). Most explanations of vertical integration in private firms emphasize transaction costs incurred in negotiating, monitoring, and enforcing a contract or agreement. Expanding upon this framework, New Institutional scholar claim that the organization of transactions within rather than between firms is contingent upon the relative costs of internal and external transactions (Williamson 1975). If the cost of negotiating and enforcing contracts between firms is high, firms will have an incentive to organize production on their own rather than seek out external suppliers.

Governments, like firms, desire efficient production, but production efficiencies in governments can be lost when transaction costs are high, just as they can in private firms. Service contracts and the sector to which they are assigned are dependent upon the type of policy and the stability of the administrative environment within which the contracting process is managed. Certain classes of policies entail considerable monitoring and measurement costs that make contracting with private

agents problematic. In addition, uncertainty resulting from an unstable administrative environment reduces the ability of a local government to negotiate contracts, make credible commitments to suppliers, and enforce contracts.

Two problems stand out in the literature regarding transaction costs and municipal contracting. First, although both administrative turnover and the characteristics of goods have been linked to contracting problems, they have not been examined together in any systematic way. Second, empirical work typically has neglected choices among different providers for the supply of contracted services that are associated with different policy types. This empirical analysis estimates city contractor choices using a model that includes executive turnover as a measure of uncertainty in the administrative environment and indicators of various policy types that characterize city services. The findings reveal that transaction costs limit the gains to be achieved in contracting out services, particularly to private agents.

This study advances the existing literature on municipal contracting on two fronts. It explicitly includes policy types in the contracting choice analysis. Earlier works have focused primarily on either functional classification of

goods (Ferris and Graddy 1986; 1988; Stein 1990; 1993; Jossart-Marcelli and Musso 2005) or their characteristics (Nelson 1997; Brown and Potoski 2003b) and have overlooked the possible effect of different policy types on the nature of contracting choices. It also introduces stability of the administrative environment (previously an unexamined management variable) into the model of municipal contracting. The study then combines both policy typologies and uncertainty of administrative environment in a single model to test their effects, controlling for other better-known factors such as community heterogeneity, availability of service providers, and bureaucratic resistance.

Contracting, Transaction Costs, and Sector Choice

Transaction cost theory has been used extensively to explain the service contracting choices of municipalities (Stein 1990; Nelson 1997; Brown and Potoski 2003a; 2003b). The theory suggests that actors will choose a governance form that minimizes the transaction costs associated with the exchange (Williamson 1975). Governance forms could be a market or unified firm, or they could be intermediate hybrid-type forms embodied in long-term contracts, reciprocal investment, and franchising (Williamson 1991). Transaction costs include information, negotiation, monitoring, and enforcement of contracts (Feiock 2007). Cities may organize production in-house or choose to contract with other governments, nonprofits, or private, for-profit providers. Accordingly, they compare the transaction costs of each governance form associated with the exchange and choose the alternative that minimizes such costs.

Identifying potential providers and determining their competencies involve search costs. There also are costs associated with contract negotiation, which entails preparing contract documents and seeking advice from legal experts. The potential for opportunism among providers also demands monitoring of

contract performance during its implementation. Monitoring can involve costs ranging from setting up a process and establishing a system of feedback to renegotiation or re-adjustment, if any, during implementation. Cities may face legal disputes requiring arbitration or litigation to safeguard the terms of the contract.

Moreover, “bounded rationality” and opportunism among actors may increase transaction costs (Williamson 1981). Boundedly rational actors have limited capacity to gather or process information regarding all potential costs involved in an exchange. Actors may behave opportunistically—what Williamson (1975) calls “self-interest with guile”—to appropriate a larger share of the gains from the contract. Consequently, actors may be tempted to incorporate contingencies into a contract from the outset. The extent and variability of transaction costs depend on the degree of uncertainty in the administrative environment and the types of contracting policy choices available to cities.

Administrative Turnover and Contracting Choice

Although there has been considerable interest in what factors account for turnover among city managers and chief administrative officers (DeSantis, Glass, and Newell 1992; DeHoog and Whitaker 1990; Whitaker and DeHoog 1991; Feiock and Stream 1998; Feiock et al. 2001), little progress has been made in exploring how turnover might affect contracting choices. Contracting involves a city’s relations with external actors. Political and administrative upheavals in a city’s leadership result in uncertainty in the administrative environment and therefore reduce a city’s ability to negotiate contracts, make credible commitments to suppliers, and faithfully uphold and enforce contracts once they are in place (Clinger-mayer and Feiock 2001). Doing business with a city when there is uncertainty regarding its expectations and dedication can be risky for external providers, and uncertainty may

increase when executive turnover is high (MacManus 1991). Contractual exchange is more likely when both the municipality and the external provider consider the transaction to be in each of their interests than when either side is suspicious of the other's commitment to the terms of the contract. Furthermore, new leadership may not be satisfied with the existing contractual terms and may demand renegotiation.

Organizations generally delegate powers for policy implementation to executives (Milgrom and Roberts 1990). In council-manager cities, managers have broad authority to formulate and implement policy. Although executive decision making lies with the elected mayor in the case of mayor-council forms of government, much authority to manage city business is delegated to appointed administrators who oversee the process, from contacting providers to controlling the contract.

Frequent changes in the administrative environment increase external providers' uncertainty, which in turn affects the viability of the contractual relationships. Faced with administrative turnover, city officials may be unwilling to enter into agreements that would stipulate the extent, quality standards, or mode of service delivery. Cities may prefer more flexible, open-ended contracts that would enable them to adapt service provisions, but such contracts impose transaction costs upon suppliers. Besides, suppliers could demand substantial premiums in order to compensate for the increased risk, in which case any cost savings would quickly evaporate (Sappington and Stiglitz 1987). Thus, external contracting may be less likely under these conditions.

Uncertainty in the political structure of cities also affects the stability of the administrative environment. Changes in the council composition not only make it difficult to aggregate community preferences but also can lead to division and conflict over policy. In turn, administrators and external providers may be unsure about the expectations of the council. Divisions and disputes in the council also may motivate some members to remove

administrative barriers, forcing out the administrator in order to push through their agendas and thereby claim political credit.

The effect of administrative turnover on contracting decisions is more direct. First, turnover of council seats is sometimes less frequent than managerial turnover because council members are elected for fixed terms, incumbents are typically reelected, and term limits are not the norm. Second, once a policy decision is made by the council regarding service provision, the organization and efficient delivery of the service become more of a managerial responsibility. Furthermore, uncertainty due to council turnover is broad based; the impact of administrative turnover on service delivery is more immediate.

Contracting with private firms is different from outsourcing to other units of government or nonprofit providers because the likelihood of opportunistic behavior is usually much higher when profit-seeking firms are involved. In private firms, the residual claimants (i.e., owners) are, in principal, in control, which may have implications for managers' capacity to address any deficiencies in contractual structure. Linking managers' rewards to organizational performance may offer incentives for efficiency, but it also may motivate managers to cut corners in various ways, including limiting access to services or allowing more costly aspects of service quality to decline. Although units of government or nonprofit organizations that contract with municipal governments may retain slack or excess resources, the prospect of acquiring these resources does not provide the same "high-powered incentives" for these entities to act opportunistically (Frant 1996).

Transaction cost problems that can be troublesome for cities pursuing any kind of external service delivery may be less severe when service responsibility is assigned to nonprofits. Contracting for services with nonprofits rather than for-profits generally involves complementary activities that may result in achieving economies of scale. Transaction costs are thereby reduced as activities

are shared to deliver final products or services. Because nonprofits are less influenced by high-powered incentives than are for-profits, the potential risk of opportunism and contract-monitoring costs are likely to be lower. Therefore, administrative turnover is expected to have less influence on nonprofit contracting than on for-profit contracting.

Taxonomies of Policy Types

Although governmental activities can be classified in many ways, several typologies have been specifically linked to service-delivery choices (see Stein 1993). Regulatory and non-regulatory functions (Lowi 1964; 1972), excludability and jointness of consumption (Ostrom and Ostrom 1977), and net benefit/cost to the median taxpayer have been differentiated (Peterson 1981).

The distinction between regulatory and nonregulatory activities is often made in policy studies (Lowi 1964). Regulatory actions involve governmental coercion and tend to have an immediate impact on individuals (Stillman 2004). Services requiring regulatory compliance such as zoning, building inspection, or traffic control often impose substantial administrative or compliance costs on firms and individuals. Because these costs tend to be concentrated and the benefits diffused over many constituents, regulatory activities often generate conflict and pose high bargaining costs (Wilson 1980). Cities therefore are less likely to contract out regulatory services. The value conflict inherent in such policies may particularly militate against the involvement of nonprofit organizations in service delivery (Clingermyer and Feiock 1990).

A second typology classifies goods and services based on the extent to which they have the attributes of excludability and jointness of consumption (Ostrom and Ostrom 1977). Generally, a good or service is nonexcludable when it is impossible, impractical, or costly to exclude some citizens from the consumption of the service. Jointness of consumption occurs when all citizens enjoy the benefits of

the service without reducing the benefits to any one person.

Community policing service is an example of nonexcludability and joint consumption. Goods and services such as water supply or garbage pickup that are excludable and do not involve jointness of consumption often are considered to be private goods and generally can be provided in private markets. Governments may be called upon to provide such goods when the distributive impact of market allocations is not politically expedient. However, when risk of defection or potential opportunism of the provider is too high due to the monopolistic nature of the public goods market (as in the case of sanitary sewer or water supply), cities may prefer to have other governments provide these services or produce them in-house rather than contract out to the private market.

When exclusion is costly and jointness of consumption is present, services have the characteristics of public, or collective, goods that require governmental involvement to ensure adequate provision. Some goods such as community parks, roads, or beaches permit exclusion but maintain jointness of consumption. These “toll” goods may be provided by either the private or public market. Goods that are “common pool resources” such as groundwater extraction or public health involve rivalry in consumption but do not allow easy exclusion. Because geographically concentrated small groups of people consume most common pool resource goods, politicians may find contracting out to nonprofits more attractive. Nonprofits generally are locally based and are more responsive to the preferences of local constituents than are external delivery agents. Crime prevention, fire protection, and public information—which are nonexcludable and have jointness of consumption and therefore are considered to be collective goods—are likely to be delivered directly by municipalities (Stein 1993).

The third service typology follows Peterson’s (1981) classification of services (expressed in rank order) based on whether the median

taxpayer's benefit-cost ratio resulting from provision of a service is positive (developmental), roughly zero (allocational), or negative (redistributive). Peterson (1981) argued that cities compete for residents and investment in order to maintain their tax bases and gain sufficient revenue to sustain governmental operations. Cities make use of developmental services to lure new investment or expand existing investments in the community. Provision of physical infrastructure facilities and services is an example of an investment that directly benefits businesses and high-income taxpayers.

Governments also must carry out basic services such as police, fire, or street maintenance services that are of a regular house-keeping nature. These allocational services do not necessarily have substantial developmental or redistributive consequences. According to Peterson (1981), cities rarely undertake redistributive programs such as provision of health or welfare services because they might drive away new investment or encourage existing investment to migrate to areas with less antagonistic business climates. Because of the controversial nature of redistributive services, cities may choose nondirect service modes to fulfill this responsibility (Stein 1993).

Extending Peterson's argument, it is predicted that developmental services will be organized in-house rather than provided externally because they are more politically attractive than redistributive services. Cities tend to be indifferent about delivery mechanisms for allocational services, but those that are contracted out are more likely to be provided by nonprofits because of the greater variety of preferences for these services.

Methodology

The effects of executive turnover and policy types associated with municipal services on contracting choices were tested using data from the International City/County Management Association's (ICMA's) *Profile of Al-*

ternative Service Delivery Approaches for the years 1988 and 1992.¹ These ICMA surveys were administered during one of the most dynamic stages in the development of alternative service-delivery arrangements and had higher response rates than did subsequent surveys. The survey from which the two data sets were drawn asked respondents whether their municipality provided particular services and if so, how those services were delivered. All municipalities with populations of 25,000 or greater in 1985 that were included in each of the two surveys were analyzed, for a sample size of 234 cities. These data were supplemented with information from various editions of the *Municipal Yearbook* and *County and City Data Books*. All 53 services reported in both the 1988 and 1992 surveys that exhibited variance in production mode were examined. The unit of analysis was city by service; the data were pooled by city and service.

The dependent variables in the model are polychotomous; that is, the dependent variables were grouped into four categories representing the contracting choices for 53 services classified by policy type. The four categories were in-house production, contracting with other governments, contracting with nonprofits, and contracting with for-profit firms. The analysis estimated the probability that a city would contract out services to each of these categories.² A multinomial logit model was employed, as is appropriate when there are discrete choices measured by a nominal scale. The reference choice is in-house production.

Independent Variables

The model included measures of policy types, administrative uncertainty, and other socioeconomic and political characteristics of communities and the governmental workforce that have been linked to contacting patterns. Three indicators of policy type were created based on the typologies described previously. A binary variable was used to distinguish be-

tween regulatory and nonregulatory services (coded 1 and 0, respectively). Excludability and jointness of consumption were dummy variables corresponding to private goods, public goods, and common pool resource goods. Services were coded as redistributive (0), allocational (.5), or developmental (1) according to Peterson's (1981) ordinal classification to represent the degree of cities' preferences for these policies.³

Administrative turnover was operationalized as the number of new chief administrative officers in the sample cities from 1984 to 1990 as reported in the municipal yearbooks, including managers in the manager form of city government and chief administrative officer in the mayoral form of city government. Turnover patterns revealed that over half (54.7 percent) of the cities had at least one new manager and 14 percent had two or more new managers during the period.

The analysis included several control variables. First, heterogeneity in community characteristics results in diverse preferences for services. Thus, contracting choices represent the unique needs of particular groups in the community. The homogeneity of city residents was operationalized in terms of race and socioeconomic status. Proxies for these measures were, respectively, the percentage of city population that is white and the percentage of population living below the federal poverty line.

Second, the size of the provider market is an important predictor of external contracting choice (Nelson 1997; Brown and Potoski 2003a; Feiock, Clingermayer, and Stream 2003). For example, alternative service providers are more available in larger markets such as metropolitan areas. The size of the provider market was measured by a dichotomous variable denoting whether or not a city is located within a metropolitan area. Increased service demands resulting from larger and growing cities also make external contracting more likely. To account for the effect of the demand side of the market, city size and population growth were included in

the analysis. City size was measured by the 1986 city population, and growth in cities was operationalized by the change in population between 1980 and 1986 as a proportion of the 1980 population.

Third, opposition to contracting often comes from municipal employees who may fear job losses. The stronger the employee unions, the greater the constraints a city faces in its ability to contract out. The percentage of the unionized state municipal workforce was included to measure the potential bureaucratic opposition to external contracting. Following previous studies (Feiock et al. 2003), the number of full-time public employees measured per 10,000 population was added as a variable indicating potential opposition to outsourcing. Because this variable also may capture bureaucratic capacity to supply services in-house, it is assumed that the greater the number of full-time employees, the lower the likelihood of external contracting.

Fourth, a city's contracting decisions also are affected by its prior experience with the provision of particular services and the scope of its total service delivery. Hence, cities that provide more services would be more likely to contract out because doing so promises to reduce overall service provision costs. This prediction was tested using a service responsibility indicator that counts the number of services provided by a city in 1987 as indicated in the *Census of Government Finances* (Clingermayer and Feiock 1990). A dummy variable indicating whether or not a particular service was provided in 1988 also was added to test the expectation that the newly adopted service is more likely to be contracted out.

Finally, previous studies indicate that citizens' ideological preferences for contracting out municipal services affect contracting choices (Jossart-Marcelli and Musso 2005; Feiock, Clingermayer, and Dasse 2003). The percentage of the countywide vote for the 1992 Republican presidential candidate was included to represent citizens' political preference for contracting.⁴

Results and Discussion

Table 1 shows the results of the multinomial logit estimation and reports the relative risk ratio (RRR) for each estimation.⁵ A RRR provides a means by which to compare the propensity to contract out a municipal service to each of the alternative options.⁶ A RRR coefficient greater than 1 indicates that the independent variable increases the likelihood of a particular type of external delivery choice over in-house production. If a RRR is less than 1, it is assumed that the variable reduces the likelihood of external supply (i.e., a tendency toward in-house production). For example, the RRR for manager turnover on contracting with nonprofit organizations is 0.860 (see Table 1). The odds of contracting with nonprofits rather than providing the service in-house are multiplied by 0.860; thus, each managerial change between 1983 and 1990 reduced the odds of contracting out services to a nonprofit provider by 14 percent. A RRR of 1 indicates that the variable has a neutral effect on the likelihood of contracting out to a particular service provider. Box 1 summarizes the main findings with respect to the administrative turnover and policy types.

Consistent with previous studies (Feiock et al. 2003), the results show that administrative turnover reduces the likelihood of all forms of external contracting. In the case of contracting with other governments, although the effect is not significant, it is in the expected direction. The effect is statistically significant and quite large for contracting out to both nonprofit and for-profit providers. Each turnover in city executives reduced the likelihood of contracting out to nonprofits by 14 percent; the effect was about 12 percent in the case of for-profit firms. This result supports the proposition that executive turnover increases the transaction costs of contracting and affects the ability of cities to make credible commitments to external providers.

The analysis provides mixed findings with respect to the effect of policy types on contracting preference. The regulatory and non-

regulatory distinction was found to have important consequences. The regulatory service category is significant for other governmental providers and nonprofits. The RRRs show that although cities prefer to contract out regulatory services to other governments (RRR = 1.25), they favor in-house production of these services over contracting out to not-for-profits (RRR = 0.451). As discussed earlier, these differences may be the result of the value conflict inherent in regulatory policies that tend to concentrate costs or benefits in small segments of society (Lowi 1964). Nonprofit organizations may be interested in providing regulatory services because they have a stake in the value conflict. However, the transaction costs associated with the risks of delegating coercive authority to nonprofits that advocate a particular policy may make these providers less attractive (Ferris and Graddy 1986).

The variable pertaining to contracting choices for private goods is statistically significant for all three external providers. However, the RRRs of less than 1 for all these providers indicate that cities prefer to produce private goods in-house rather than contract them out. Generally, private goods are optimal candidates for contracting out unless the contracting costs and uncertainties are too prohibitive. This departure from the expectations suggests that the role of municipal governments in delivering private goods should be evaluated in terms of both service provision and production responsibilities. The fact that a city is responsible for the provision of a specific private good suggests that the community may be dissatisfied with the market allocation of the service, perhaps based on equity or distributional considerations. Private market delivery may undermine the equity goals motivating public provision.

The results support the expectation with respect to public goods. Cities generally prefer in-house provision of public goods to contracting out. For common pool resource goods, although cities prefer to supply them in-house rather than contract them out to

other governments and for-profit providers, there is a strong tendency to contract out to not-for-profits. Because geographically concentrated groups consume most common pool resource goods, political support from the core constituency may encourage local

officials to contract with locally based non-profits for the delivery of such goods. The assumption is that delivery agents are motivated to be responsive to constituents' preferences. The same locally based interests would most likely oppose contracting out to other govern-

Table 1. Multinomial Logit Estimates of Contractor Choice of Cities

Variable	Other Government ^a		Nonprofit Provider ^b		For-Profit Provider ^c	
	RRR	Z	RRR	Z	RRR	Z
Provided in 1988	1.002 (0.013)	0.199	0.978 (0.022)	-0.944	0.977 (0.014)	-1.577
Percent white	0.998 (0.002)	-0.371	1.017** (0.005)	3.522	1.000* (0.003)	1.808
Below poverty	1.010 (0.007)	1.511	1.044** (0.010)	4.290	0.997 (0.007)	-0.331
Manager turnover	0.956 (0.043)	-0.979	0.860* (0.066)	-1.953	0.883** (0.042)	-2.585
Standard metropolitan statistical area	0.947 (0.051)	-0.985	0.956 (0.084)	-0.504	1.210** (0.069)	3.322
Service responsibility	1.002 (0.003)	0.699	0.998 (0.006)	-0.187	1.008** (0.004)	2.103
Public unionization	0.993 (0.004)	-1.485	0.999 (0.007)	-0.078	1.001 (0.004)	0.371
Public employees	0.999** (0.000)	-3.884	0.999** (0.001)	-2.523	0.999** (0.000)	-2.668
1992 Republican vote	0.977** (0.004)	-5.227	0.983* (0.007)	-2.251	0.997 (0.004)	-0.457
Population change	1.439 (0.555)	0.944	0.780 (0.508)	-0.381	2.219** (0.868)	2.037
1986 population	0.960 (0.034)	-1.120	1.092* (0.060)	1.612	1.135** (0.038)	3.716
Regulatory service	1.253** (0.105)	2.697	0.451** (0.077)	-4.168	1.089 (0.091)	1.023
Private good	0.702** (0.061)	-4.001	0.095** (0.018)	-12.310	0.309** (0.028)	-12.940
Public good	0.645** (0.055)	-5.097	0.470** (0.055)	-6.449	0.479** (0.037)	-9.368
Common pool resource good	0.643* (0.147)	-1.920	2.543** (0.554)	4.281	0.545** (0.138)	-2.380
Peterson classification	0.202** (0.021)	-14.040	0.381** (0.061)	-5.979	0.517** (0.055)	-6.256

* $p < 0.10$ (two-tailed). ** $p < 0.05$ (two-tailed). $N = 9,070$. Log likelihood function = -8207.23. chi-square = 926.98.

^a $n = 1,342$.

^b $n = 460$.

^c $n = 1,250$.

Note: Numbers in parentheses are standard errors. The "toll goods" variable was dropped due to collinearity. RRR = relative risk ratio.

ments or profit-seeking firms that may be less responsive to local preferences. For Peterson’s policy typologies, the RRRs are less than 1 for all three external providers, which suggests that developmental services are more likely to be provided in-house and redistributive services are more likely to be contracted out.⁷ Allocational services are likely to be contracted out to profit-seeking firms.

Heterogeneity is significant mainly with regard to not-for-profit contracting choices. As previous studies have found (Feiock, Clinger, and Stream 2003), the effect of the percentage of the community that is white on cities’ choice between in-house supply and for-profit contracting was found to be neutral, but a positive effect was found between percentage white and contracting with the not-for-profit sector. Similarly, poverty has a positive effect on contracting out to nonprofit organizations. Cities with lower-income residents typically have more nonprofit organizations. Greater competition among nonprofit

service providers might make the not-for-profit sector a better choice in terms of lower costs for contracting. It also is plausible that this variable captures the unique demand for services to address the health and safety needs of poor residents, for example. In the delivery of these services, nonprofit organizations have a competitive advantage over other governments or for-profit sectors.

The findings indicate that cities that are located in metropolitan areas are more likely to contract out services to profit-seeking firms than other cities, suggesting that metropolitan areas offer more service-provider options, including for-profit providers. Similarly, as expected, larger and growing cities are more likely to contract out services because they tend to rely on external providers to meet the growing service demands of their residents. Whereas large cities prefer contracting with both nonprofit and for-profit firms, growing cities are more inclined to look to the for-profit sector.

Box 1. Summary of Propositions and Findings

Main variables of interest	Expected impact on contracting sector choices	Main findings
Administrative turnover	Reduction in the likelihood of external contracting	Reduction in the likelihood of contracting out with for-profit and non-profit providers. The result is not significant in the case of contracting out with other governments.
Policy types		
Regulatory service	Less likelihood of contracting out	Decrease in the likelihood of contracting out with nonprofit providers, and increase in the likelihood of contracting out with other governments. In the case of for-profit providers, the result is insignificant.
Private goods	Increase in the likelihood of for-profit production or other governments	Decrease in external contracting (that is, cities prefer in-house production)
Public goods	Decrease in the likelihood of external contracting	Reduction in the likelihood of contracting out
Common pool resource goods	Preference for contracting out to nonprofit providers	Increase in the likelihood of contracting out with nonprofits. Decrease in the likelihood of contracting out with other governments and for-profits.
Developmental services	Preference for in-house production	Increase in the likelihood of in-house production

The state-level measure of municipal workforce unionization was not found to be significant in affecting external service-delivery choices. The size of the city workforce, on the other hand, was significant for all three contracting choices. The estimated RRRs are only slightly below 1 (RRR = .999), indicating a slight reduction in the likelihood of in-house supply over external delivery choices. Cities with a large number of employees have greater internal capacity to produce services; thus, there may be less of a need for external contracting, which may result in greater bureaucratic resistance to external contracting. Furthermore, the more service responsibilities a city has, the more likely it is to contract out with for-profit providers. This finding supports the argument that cities use contracting to reduce overall costs of operations that are generally greater in full-service municipalities. Republican support decreases the likelihood of contracting out with other governments and the nonprofit sector. External contracting decisions are not necessarily guided by whether the service in question is old or new.

Conclusion

The findings of this study suggest that cities do take into account the nature of a service and the type of policy it reflects when they make contracting choices. Governments may find it expensive in some cases to execute policies through external contracting but advantageous in others. For example, some localities may be unwilling to contract out regulatory services to nonprofit organizations because of the risks of delegating coercive authority (Ferris and Graddy 1986). Cities generally do not contract out public goods because the costs of monitoring and curtailing potential opportunism are too high (Brown and Potoski 2003b). In addition, some local leaders may not wish to contract out public services that are inherently governmental in nature because doing so would limit their ability to claim credit for providing services such as police or fire to which communities attach

prestige value. Similarly, because the political transaction costs of external contracting are too high, developmental services tend to be supplied in-house, even though they are not inherently governmental, as in the case of public goods.

The findings regarding executive turnover are even more compelling. Although previous studies have shown that the effect of administrative turnover may vary with the type of service (Feiock et al. 2003), the results of this study indicate that cities conduct less external contracting when there is an increase in administrative turnover irrespective of the type of policy or service. Because of the instability that administrative turnover creates, external contracting becomes a more expensive and risky choice, especially for nonprofit or for-profit organizations. This failure to privatize has been termed contract failure (Lamothe and Lamothe 2006). If contract failure seems likely, in-house service delivery may be the best strategy for cities.

Institutional, political, policy, and administrative environments influence municipal governments' service-delivery choices. This analysis suggests that transaction cost theory may be useful in explaining political decision making (Stein 1990). However, further refinements may be needed to better understand the dynamics of municipal contracting in an interactive environment. Future work could translate the various policy typologies and their underlying concepts (possibly with some measure of statistical reliability) to other service areas and to cities with populations of less than 25,000. Explicit modeling of the relationship between political and administrative turnover may provide insight into the effect of the administrative environment in contracting choices. Moreover, the effect of administrative turnover with respect to form of government also may shed light on why certain contracting choices are made. For example, the council-manager form of government may be more vulnerable to the uncertainties of administrative turnover than the mayor-council form of government. Finally,

studies that incorporate a more direct measure of city residents' political preferences might be revealing with regard to the role of political ideology in service-delivery choices.

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Notes

1. The response rates for the 1988 and 1992 surveys were 40.2 percent ($N = 1,311$) and 36.7 percent ($N = 1,220$), respectively. ICMA surveys typically have low response rates.
2. In order not to violate the independence of irrelevant alternative assumptions, it was assumed that all three modes of contracting choice are discrete and available to all municipalities (see Alvarez and Nagler 1998).
3. The appendix is available from the authors or the Devoe Moore Center Local Governance Program at www.fsu.edu/~localgov/research_projects/service_delivery.htm.
4. Ideology is measured at the county rather than the municipal level because election results are reported at the county level. There is no municipal-level measure to capture different voting patterns in cities and their suburbs. Previous studies have examined county voting patterns to determine the effect of ideology in elections.
5. A single equation model was estimated because the three service classifications measure three distinct theoretical concepts. An ordinal measure of association (the symmetric lambda statistic) was employed to examine the interrelations among service classifications. Virtually no relationship between the service-sector classifications was found, which suggests that they should be analyzed in the same model. Because symmetric lambda is a nondirectional measure of association, it requires no assumptions about the direction of causal relationships between two variables. The Peterson variable was coded as three dichotomous dummy variables so that it would be comparable to the measures used in the other two service classifications. The results did not change when an ordinal measure of association was used to test the relationships among the service classifications.
6. For the set of service-delivery alternatives, (s), the RRR for an alternative service-delivery category (j of s) and an independent variable (x) equals the amount by which the predicted odds favoring j over direct city provision (the base category of s) are multiplied per a one-unit increase in x , all other factors being equal.
7. Estimates for Peterson categories that were operationalized with a set of dummy variables yielded similar results.

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Local Political Structure, Administrative Capacity, and Revenue Policy Choice

Moon-Gi Jeong

QUESTIONS ABOUT how local political structure relates to public policy have generated enduring controversy among academics and practitioners. Most studies on the subject have been conducted at the municipal level and have resulted in mixed findings (Lineberry and Fowler 1967; Lyons 1978; Morgan and Pelissero 1980; Clingermayer and Feiock 2001). Proponents of municipal reform assert that it has led to lower taxes and expenditures because local governments are able to increase efficiency through professional management adapted from business practices (Lineberry and Fowler 1967; Lyons 1978).

At the county level, some studies have demonstrated that certain political structures or forms of government result in significant increases in service delivery and expenditures and alter growth management activities (Benton 2002b; 2003b; Park 1996; Schneider and Park 1989; Feiock and Tavares 2002). Others contend that local political structure does not

bring any significant change (Morgan and Kickham 1999; Morgan and Pelissero 1980; Hayes and Chang 1990). Although recent studies have examined county governments in the areas of service delivery, taxation, expenditures, and growth management (Benton 2002b; 2003a; 2003b; Benton and Menzel 1991; DeSantis and Renner 1994; Feiock 1994; Morgan and Kickham 1999; Waugh 1994), they have not addressed the role of administrative institutions or capacity in terms of policy outcomes.

Enhanced administrative capacity can play a positive role in local initiation of new policies (Donahue, Selden, and Ingraham 2000; see also Bowman and Kearney 1988; Honadle 1981). Because local capability to implement programs and policies is so crucial for success, decision makers cannot afford to ignore it (Pressman and Wildavsky 1973). In particular, public officials' professional skills and expertise become crucial when policy implementation involves complex budgeting and planning processes.

Although research on county reform has benefited from studies on changes in municipal governance, county political structure has followed a different path of development and demands attention in its own right (see also Benton 2002b; 2003a). This study stresses

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the differences in political structure between municipal and county governments and seeks to refine theory with regard to county political structure by taking into account administrative capacity. A theoretical framework that emphasizes the dynamic relationships between political and administrative institutions and policy choice is posited.

This study also differs from previous studies in that it focuses on decision making pertaining to new revenue options for infrastructure at the county level. Specifically, it investigates user charges and various types of impact fees. Impact fees are intended to pay for the costs of growth-related infrastructure improvements. Those that are earmarked to cover the expenses of building new infrastructure cannot be used to pay for the operating and maintenance costs of that infrastructure. Impact fees perhaps provide the most distinct example of how local governments can incorporate in order to resolve fiscal problems associated with local infrastructure (Nelson 1988; see also Benton and Daly 1996). Unlike taxes, impact fees are levied to specifically targeted groups such as developers or new residents. Thus, increasing taxes to pay for infrastructure spreads the financial burden to constituents or taxpayers whereas impact fees can limit that burden to specific groups of developers or new residents.

The focus of this study is on county political structure and impact fee adoptions in Florida. Longitudinal data analysis is employed to capture the political dynamics underlying local decision making, which other research on political structure that has relied primarily on cross-sectional data has been unable to do (Morgan and Kickham 1999).

An Institutional Theoretical Framework

Institutional theory suggests that institutions provide incentives and constraints for those who interact with them and thereby influence behavior (North 1990). Political institutions are identified in relation to “who gets

what”; that is, they identify and clarify the political processes in the authoritative allocation of values (Horn 1995). In providing guidelines for human action, institutions play a critical mediating role in the determination of policy choices and subsequent policy outcomes (North 1990; Lineberry and Fowler 1967; Clinger-mayer and Feiock 2001; Feiock, Jeong, and Kim 2003).

Although there have been numerous efforts to better understand service delivery, taxation, and expenditures with respect to policy making at the local level, relatively few studies have examined how political institutions affect public policy decisions. Much debate on the relationship between political institutions and policy consequences centers on progressive reform, which is assumed to enhance professionalism in daily administration and as a result increase efficiency at the local level. This study concentrates less on professionalism than on the role local government institutions play in initiating new policies and programs in general and complex impact fees in particular.

The literature suggests that in addition to political institutions, community characteristics such as economic and demographic attributes are determinants of policy outcomes (Lineberry and Fowler 1967; Feiock, Jeong, and Kim 2003; Benton 2002a; 2002b; Benton and Daly 1996; Morgan and Pelissero 1980; Jeong 2006).¹ This study controls for community characteristics such as interest groups, local growth through population and housing development, and debt outlay in particular.

Political Structure and Policy Choice

Political structure at the county level evolved in contrast to municipal reform (Benton 2002a; 2002b; 2003a; 2003b; Morgan and Kickham 1999; Lubell, Feiock, and Ramirez 2005). Fundamental to the municipal reform movement at the turn of the 20th century was the notion of separation of powers and enhancement of professional management. The professional manager position was institutional-

ized in council-manager government in order to replace political machines and weaken mayoral power, thereby increasing efficiency of daily administration and consequently lowering taxes and expenditures (Lineberry and Fowler 1967; Lyons 1978). Accordingly, discussion of the municipal reform movement compares council-manager with mayor-council government.

Conversely, the county reform effort was channeled through centralized executives in both the administrator (or manager) and elected chief executive (or mayor) forms. It is the commission-only form of government rather than the elected executive form that is considered to be “unreformed” at the county level (Morgan and Kickham 1999; Benton 2002b).

Under a commission-elected chief executive system, strong leadership can reconcile diverse local interests regarding growth management and thereby significantly influence local policy making (Frederickson and Johnson 2001). The importance of local leadership in resolving conflicts of interest at the local level has been identified (Schneider and Teske 1993; Frederickson and Johnson 2001). A study conducted by the International City/County Management Association (1995) found that leadership was necessary in political institutions to reduce conflicts and adequately solve problems. Several studies have noted the increasing role of leadership in negotiating local land-use disputes (Frederickson and Johnson 2001; see also Svava 1990). For example, Clinger Mayer and Feiock (2001) contend that elected chief executives may function as growth management entrepreneurs (see also Schneider and Teske 1993).

The professional administrator (or manager) under the commission-administrator type of government also can play a substantial role in local policy formulation and implementation (Benton 2002a; Berman 1993). Under the traditional (unreformed) commission-only form of county government, county affairs and services were administered by members of the legislative and executive branch as well

as row officers (Benton 2002a; Svava 1990). In particular, row officers, acting as state constitutional officers, provided traditional county services including law enforcement, court services, and tax assessment and collections.

Fragmented authority made it difficult for county governments to develop a comprehensive management system for local policies (Svava 1990; Benton 2002b; Jeong 2006). Under the commission-administrator form, however, the county administrator has a centralized executive role in tasks such as budget preparation and appointment of department heads (Benton 2002a; see also Menzel 1996). Overall, counties with reformed governments (i.e., the commission-mayor or commission-administrator system) are more likely than unreformed governments to adopt new revenue options or impact fees.

Home rule gives counties greater autonomy to make decisions. Under Dillon’s Rule of 1868, before home rule charters were introduced, county governments functioned as administrative arms of the state and were limited in their power to expand service roles and exploit new revenue sources (Benton 2002a; 2002b). As county affairs grew more complex, however, more self-governing power was necessary. Greater administrative and legislative authority was required to address new service demands resulting from rapid population increases and geographical changes (Benton 2002b). Counties with home rule authority have greater flexibility in terms of revenue options, including the adoption of impact fees (Benton 2002a; 200b; Salant 1993; DeSantis 2003).

Administrative Capacity and Policy Choice

With increased responsibility under New Federalism, local governments play an ever-important role in policy formulation, implementation, and management (Honadle 2001; see also Honadle, Costa, and Cigler 2004). Administrative institutional capacity is necessary to facilitate policy making and service

delivery (Donahue, Selden, and Ingraham 2000). Ingraham and Kneedler (2000) assert that management capacity affects government performance capabilities and thus is essential for effective government organizations.

Administrative capacity is a highly abstract concept, and scholars and practitioners do not agree on its definition. Studies of capacity have been problematic because surrogate measures must be employed and data may be unavailable (Bowman and Kearney 1988; Honadle 2001). Furthermore, different levels of government complicate the concept of administrative capacity. For practical purposes, this study applies Hermit's definition of administrative capacity as "[a government's] ability to identify problems, develop and evaluate policy alternatives for dealing with them, and operate government programs" (cited in Honadle 1981, 576).

The availability of internal resources is considered to be a prerequisite for governments to seek and adopt new ideas and policy alternatives (Berry and Berry 1990). With greater resources, governments have more options. Internal governmental resources including experts or skilled workers are closely linked to local administrative capacity and thus help local governments overcome transaction costs resulting from the uncertainty and risk in implementing new policies and programs (Simonsen, Robbins, and Helgerson 2001; see Jeong 2006).

Governments must have administrative capacity to adopt controversial and complex revenue sources such as impact fees. Local business groups may resist impact fees that can put regulatory burdens on their activities. Furthermore, to resolve the difficulties and intricacies of financial management and planning, governments must apply various fee types, calculate fee formulas, and allocate impact fees in conjunction with a capital budget (Florida Advisory Council of Intergovernmental Relations 1991; Nelson 1994). For example, transportation impact fees are determined by a complicated calculation including daily vehicle flow, road capacity, and ser-

vice levels (Purdum and Frank 1987). Because local administrative capacity is crucial in order for governments to initiate various fee types, it likely has a positive effect on impact fee adoptions.

Community Characteristics

Interest groups may resist change if new policies or programs adversely affect their property rights (Alston 1996; Eggertson 1990). According to the growth-machine model, developers and builders who feel their property rights are being violated will resist impact fees. In particular, the development community may strongly oppose the fiscal burden of impact fees when low housing demands make it difficult to pass those costs along to new residents (Watkins 1999; Skaburskis and Qadeer 1992). On the other hand, because an impact fee system may reduce risk and uncertainty in the development permit and approval process and therefore help sway public sentiment toward growth, the development community may not always oppose impact fees (Nelson and Moody 2003; Jeong and Feiock 2006). Nevertheless, government intervention in the private development market limits the economic benefits that accrue to developers and builders (Watkins 1999; Feiock 1994; Anthony 2000; Skaburskis and Qadeer 1992). Thus, these actors are likely to object to new financial and regulatory burdens resulting from impact fees.

Over several decades, rapid population growth at the county level has resulted in a wide variety of social problems in the areas of transportation, housing, the environment, and crime. Local growth has drawn attention to new revenue sources, especially user charges (Kolo and Dicker 1993; Lee, Johnson, and Joyce 2004; Schneider and Park 1989). Consequently, counties that experience rapid growth are more likely to adopt impact fees.

In addition, poor financial situations, especially in terms of infrastructure, are likely to drive exploration of new revenue options. State laws, including tax and expenditures

limitations, have increasingly restricted local tax increases and debt financing (Berman 2006). As a result, public agencies have favored user charges and fees that can expand revenues despite rejection of bond issues for infrastructure. Counties experiencing high costs of infrastructure development through debt expenditures may seek and rely on new revenue options through impact fees (Lee, Johnson, and Joyce 2004). With reduced financial resources, local governments are expected to use impact fees to pay for public facilities.

Political Structure and Impact Fees in Florida

Since the late 1960s, the traditional commission form of government in Florida counties has changed as home rule charters have been adopted. A reformed county with home rule authority has more latitude to create new revenue sources. However, charter adoption in Florida is relatively rare: only 7 counties among 37 reformed Florida counties have adopted a charter.²

In Florida, three forms of government exist at the county level: commission-elected chief executive, commission-administrator, and commission. At their inception, all Florida county governments were established under the commission form of government in which executive and legislative power was not separated. Boards of commissioners exerted both powers in the early days of county administration and still do in many counties. Under the commission-only form of government, there is no centralized leadership in charge of daily county administration. Instead, each commissioner is responsible for certain agencies or departments. Heads of departments report daily administration activities to each commissioner or to a designated commissioner for each agency. This administrative structure is often criticized because of its lack of centralization and coordination (telephone interviews with county officials in Putnam County, May 2004).

There are various types of impact fees, depending on the local government. At the national level, one survey reported three types of fees (sewer/water, transportation, and parks) that were widely used by local governments (Leithe and Montavon 1990). The Florida Advisory Council on Intergovernmental Relations (FACIR 1991) has identified several dozen types of impact fees for transportation, water/sewer, parks, fire/EMS, police/corrections, and schools, for example. However, only a few are in general use.

Included in the empirical analysis are three of the most popular types of impact fees: transportation, parks, and public safety (FACIR 1991; Mullen 2005).³ The effects of political institutions and capacity are compared separately for each fee type. Because the characteristics of each fee type are somewhat distinct, political structure may affect certain types of fees. Although few studies have identified direct linkages regarding which factors influence particular fee types (except see Frank and Downing's [1988] study of sewer impact fees), the effects of political structure may be differentiated (see also Benton 2002a; 2003a; 2003b). It is expected that the relationship between political structure and choice of parks and public safety impact fees is stronger in reformed (or modernized) counties than in unreformed (or traditional) counties because unreformed local governments may find it difficult to justify the connections between impact fees and public facilities and consequently may face greater resistance from the development community.

Data

Dependent Variable

Local governments typically impose impact fees on residential development to pay for infrastructure construction in areas such as transportation, water/sewer, police/corrections, fire/EMS, and parks. The fee amount for residential development generally is calculated on the basis of interior square footage

or the number of rooms, although flat fee schedules are used in some cases. The square-foot method is used for fees for commercial and industrial development.

The dependent variable in this study is the adoption of impact fees in four categories: transportation, parks, public safety, and pooled fees.⁴ Each fee adoption is coded for the year in which it took effect (1 for year of adoption; 0 if the fee was not adopted in that year).

Explanatory Variables

Most studies of local political structure focus on progressive reform in municipalities (Lineberry and Fowler 1967; Feiock, Jeong, and Kim 2003; Morgan and Pelissero 1980). In counties, political structure reform moved toward centralized leadership and professional management through commission-manager and commission-elected chief executive (or mayor) forms of government (DeSantis and Renner 1994; Morgan and Kickham 1999; Benton 2002b). The political structure variable is therefore coded according to whether a county adopted either the commission-manager or commission-mayor form of government (coded 1 for reformed government; 0 otherwise) (Lubell, Feiock, and Ramirez 2005; see also Benton 2002b).⁵ In addition, a county that has home rule authority is coded 1 (0 otherwise).

The concept of administrative capacity is complex and multidimensional, and clear-cut measures are lacking. Brace (1991, 300) asserts that the expenditure level can serve as “a blunt but plausible and theoretically justified measure” of institutional capacity. This study assumes that the higher expenditures are, the more personnel and resources are needed to initiate and implement new policies for revenue options (see also Bowman and Kearney 1988; Elkins, Bingham, and Bowen 1996). Surrogate measures are employed: per capita expenditures in planning and financial administration (Jeong 2006).

The local interest group variable includes the political strength of the development

community. As a strong growth machine, the local development community may resist policy changes that adversely affect its economic profits. Because the concept of political strength is abstract, organization size is used as a proxy for this factor (see also Jeong and Feiock 2006).

The presence of a well-organized development community puts pressure on local politics (Stone 1989). This study therefore assumes that large development firms are likely to have more influence than small firms on both the local economy and local politics. There is no systematic way to distinguish between large and small firms, and scholars and practitioners do not agree on a standard. This study therefore defines large firms as those that have more than 50 employees. As Jeong and Feiock (2006, 759) note, the percentage of large developers corresponds to the level of pressure exerted by the development community.

Following Nelson (1988), who asserts that there is a correlation between population and impact fee adoptions, local growth is measured by the annual percentage change in population. Local growth is also measured by the number of residential development permits issued each year. Developers or builders are supposed to pay the impact fees imposed by local governments for new residential, commercial, and industrial developments. Residential development permits include single- and multifamily housing permits.

In general, local capital facilities are financed by bond issues because of the size of expenditures and long-term requirements of fiscal plans (Lee, Johnson, and Joyce 2004; Mikesell 2003). However, there are legal limitations for debt financing, especially for general obligation bonds. Impact fees can serve as an alternative to debt financing for infrastructure (Kolo and Dicker 1993). This study therefore assumes that higher debt outlay encourages local governments to adopt impact fees. Local debt outlay for infrastructure is measured by debt millage rates and per capita debt expenditures.⁶

Method

Determinants of various impact fee adoptions are examined using event history analysis (EHA). EHA has been used widely to explain qualitative changes such as state policy adoption (Berry and Berry 1990; Box-Steffensmeier and Jones 2004). EHA is also a useful analytical tool for local governments to employ when making decisions about whether or not to adopt impact fees (Jeong 2006). For the analysis of various impact fee adoptions, this study assumes that one type of impact fee does not affect another type. Second, once one type of impact fees is institutionalized, it is highly implausible that it will be abandoned. The underlying rationale is that localities are less likely to shun attractive funding sources when infrastructure is deteriorating and there are financial problems. Third, EHA measures duration dependency, defined as the time to occurrence of an event (Cleves, Gould, and Gutierrez 2002), using a time counter and natural log time counter (see Box-Steffensmeier and Jones 2004). The duration dependency models are compared with the non-duration dependency model.⁷

Findings and Analysis

Types of Impact Fees

Table 1 presents various types of impact fees and numbers of adopting counties on the basis of 5-year intervals during the 25-year period. The general patterns indicate that for the first 5-year period, counties were slow to

adopt impact fees. Major adoptions occurred between 1987 and 1991; thereafter, the rate of adoption significantly declined during the 1990s (see also Jeong 2006).

Consistent with nationwide findings (see Leithe and Montavon 1990), the most popular type of impact fee is for transportation (adopted by 33 counties). Approximately half of all counties established transportation fees during the 1987–91 period. Public safety and park service impact fees are ranked second and third, respectively. Most of these fees also were in place during the late 1980s.

Factors Affecting Various Impact Fee Adoptions

A logit maximum likelihood approach is employed to analyze binary cross-sectional and time series data. Overall, the logit estimates suggest that local political structure has a modest effect on impact fee adoptions (see Table 2).⁸ Moreover, in the area of planning, administrative capacity has a significant effect on adoptions.

In terms of government type, reformed political structure has a positive effect on the adoption of transportation and pooled impact fees (90 percent confidence level). Transaction costs associated with powerful transportation interest groups are reduced in local governments in which there is centralized leadership and a professional management system.

The finding that none of the fee types are accounted for by home rule authority should be interpreted cautiously. Florida constitutions have allowed county home rule since

Table 1. Types of Impact Fees, 1977–2001

Fee Type	Number of Adopting Counties					Total
	1977–81	1982–86	1987–91	1992–96	1997–2001	
Transportation	1 (3.0)	13 (39.4)	16 (48.5)	2 (6.1)	1 (3.0)	33
Parks	1 (5.6)	4 (22.2)	11 (61.1)	2 (11.1)	0 (0.0)	18
Public safety	0 (0.0)	5 (23.8)	13 (61.9)	2 (9.5)	1 (4.7)	21
Pooled fees	2 (5.7)	14 (40.0)	16 (45.7)	2 (5.7)	1 (2.9)	35

Note: Impact fee data were collected by Burge (2004). Adapted with permission. Numbers in parentheses are percentages.

1968, but counties have been slow to assume such authority. As of 2002, 18 counties had adopted a home rule charter; only 4 counties established a charter before 1980 (Florida Association of Counties 2004). As a consequence, impact fee choices can be only partly explained by charter adoptions that occurred in the later period.

Sufficient administrative capacity was expected to promote county adoption of impact fees. The findings confirm that the proxy measures of planning and finance administration expenditures make a significant difference in the creation of new revenue options for park services. Local governments must

identify linkages between fees and park services and calculate fees accordingly. The effect of administrative capacity on other fee types is inconclusive.

It was hypothesized that impact fee adoptions would increase with rapid county growth. These findings confirm that county growth—measured as population growth and the number of housing permits issued—has statistically significant and strong effects on impact fee adoptions (Frank and Downing 1988; Jeong 2006).

The presence of a politically powerful development community was expected to reduce the likelihood of a county adopting impact

Table 2. Logit Estimates of Impact Fee Adoptions

Variable	Transportation	Parks	Public Safety	Pooled Fees
Reformed form of government t_{-1}	0.722* (0.432)	0.981 (0.621)	0.475 (0.565)	0.668* (0.399)
Home rule authority t_{-1}	0.438 (0.673)	1.138 (0.801)	-0.487 (0.725)	0.712 (0.665)
Finance expenditures t_{-1}	-2.7E-9 (2.1E-8)	-1.9E-8 (1.6E-8)	2.2E-8 (1.5E-8)	4.8E-9 (1.9E-8)
Planning expenditures t_{-1}	4.1E-8 (3.1E-8)	1.2E-7*** (4.0E-8)	4.5E-8 (3.9E-8)	4.7E-8 (3.0E-8)
Population growth t_{-1}	0.081*** (0.0290)	0.083*** (0.035)	0.060* (0.033)	0.073*** (0.028)
Single-housing permits t_{-1}	0.0005*** (0.0001)	0.0004*** (0.0001)	0.0004*** (0.0001)	0.0004*** (0.0001)
Business strength t_{-1}	-0.091 (0.080)	-0.485*** (0.191)	-0.026 (0.082)	-0.149** (0.081)
Debt millage t_{-1}	-0.262 (1.035)	0.231 (0.915)	-0.303 (1.188)	-0.298 (1.118)
Debt financing t_{-1}	0.001*** (0.0003)	-0.002 (0.0040)	0.001** (0.0003)	0.001* (0.0003)
Constant	-4.635 (0.333)	-5.188 (0.482)	-5.161 (0.452)	-4.189 (0.305)
N	989	1,189	1,186	931
log likelihood	-121.7	-78.3	-91.85	-133.1
chi-square	52.4	44.9	45.97	42.84
pseudo-R ²	0.116	0.121	0.095	0.88

* $p < 0.1$. ** $p < .05$. *** $p < .01$ (one-tailed tests).

Note: Numbers are coefficients. Numbers in parentheses are standard errors.

fees. The development community variable has a negative effect across all four impact fees but is statistically significant for park service and pooled impact fees. Presumably, it is difficult to make a connection between payers and beneficiaries of park impact fees and services because of the regionwide characteristics of park services (see also Benton 2002a). Consistent with the growth-machine model, a small but well-organized development community has a significant influence on local policy decisions (Molotch 1976).

Finally, high debt outlay for infrastructure was hypothesized to increase the likelihood of impact fee adoptions. The results suggest that debt millage is positively related to transportation, public safety, and pooled impact fees. With increased debt outlay, counties seek alternative revenue sources such as impact fees (see Lee, Johnson, and Joyce 2004).

Conclusion

Over the past several decades, the county has emerged as one of the most significant political units in the American federal system (Menzel 1996; Benton 2002a). With demographic and economic changes, county governments have assumed more responsibility for delivering public services. Unless there is a concomitant increase in revenue resources to cope with new demands on public services, the quality of life of existing residents may suffer, and their financial burdens may increase. In response to the need for public services and facilities, local governments are likely to search out new revenue sources that can reduce financial stress but will not be resisted by citizens.

In order to accommodate local growth, Florida counties have actively adopted impact fees. As of this writing, 34 states had adopted and implemented impact fees of various sizes and scope (Mullen 2005). Although the findings of this study are particular to Florida—a rapidly growing area—they may be extended and applied to studies of other states' experiences with impact fee adoptions.

Most research on government institutions and policy outcomes focuses exclusively on political institutions. This study employed an institutional theoretical framework to explore specifically the effects of administrative capacity (Benton 2002b; 2003a; 2003b; DeSantis and Renner 1994; Morgan and Kickham 1999; Lineberry and Fowler 1967; Clinger-mayer and Feiock 2001). Because administrative capacity reduces uncertainty in reciprocal transactions, it must therefore be accounted for in explaining policy choices, especially those concerning financial policies that are technically complex and controversial among stakeholders.

This study provides mixed findings regarding the relationship between political institutions and local policy outcomes. Political structure has a modest effect on new revenue options. Consistent with Benton (2003a), centralized leadership and professional management in reformed counties may result in better coordination of diverse and controversial interests resulting from demographic changes (see Frederickson and Johnson 2001). However, the lack of effects of home rule authority must be interpreted cautiously because most home rule adoptions in Florida occurred after impact fees were in place.

The findings also suggest that the availability of revenue policy options depends on elements of administrative capacity, specifically, public officials' professional skills and expertise in local planning processes (Donahue, Selden, and Ingraham 2000; see also Bowman and Kearney 1988). Decision makers cannot entirely ignore local capacity to successfully implement programs and policies and may wish to consider this factor when formulating new ones (see also Pressman and Wildavsky 1973). Undoubtedly, certain community characteristics, including the presence of small but well-organized local interest groups such as the development community, have implications for local revenue policy choices. Moreover, the increased financial burden of debt financing also encourages local governments to find new revenue options.

As counties experience rapid growth and take on more urban characteristics, the need for new revenue sources increases (see Benton 2003a). Thus, future studies should examine diverse taxes and user charges across different states within the context of the revenue options available to expanding localities and subsequent policy choices.

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Notes

1. This study focuses only on local internal determinants to explain local policy outcomes. In the context of impact fees, Benton and Daly (1996) and Jeong (2006) took into consideration regional diffusion factors, but their findings were mixed.
2. There are 67 counties in Florida. However, Duval County is excluded from the analysis because no consistent datasets resulting from city-county consolidation exist.
3. This study aggregated three types of impact fees; thus, the final analysis includes the four models. Public safety includes police/corrections as well as fire/EMS. Although water/sewer impact fees are widely used, they are excluded from the analysis because definitions of fee types across counties are unclear.
4. Impact fee data are from Burge (2004). The impact fee report produced by the Florida Advisory Council on Intergovernmental Relations (FACIR 1991) also was cross-checked. For further information on aggregate impact fees including transportation, parks, police/corrections, fire/EMS, schools, and libraries, refer to Jeong (2006).
5. Because there are few commission-elected chief executive or mayor forms of government in Florida, the two types were combined and jointly tested.
6. All the independent variables are lagged by one year to ensure that they account for impact fee adoptions. Sources include the *Florida Statistical Abstract* (Bureau of Economic and Business Research), *Municipal Year*

Book (International City/County Management Association), and *County Business Patterns* (U.S. Census Bureau).

7. A likelihood ratio test revealed no difference between the nonduration model and the duration model with linear and log durations (see also Jeong 2006).
8. Simple correlation tests between explanatory variables in the four models were conducted. Only single- and multiple-family housing permits had high correlation coefficients, ranging from 0.63 to 0.67. Accordingly, multiple-family housing permits were dropped in the final analysis.

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Legislative-Judicial Interaction: Do Court Ideologies Constrain Legislative Action?

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BILL SUCCESS IN state legislatures demonstrates the dynamics of policy making in a separation-of-powers system. To date, most studies of legislative-judicial interaction have examined the role courts play in policy making and the extent to which legislatures constrain judicial action. Courts do respond to the political context in which laws are made, but the relationship between state legislatures and state courts of last resort may be more complex than previously thought.

Examinations of legislative response to judicial decisions have emphasized judicial review of legislation after its passage (Rogers 2001). Scholars have studied the extent to which legislatures modify policy after courts have interpreted it and considered whether legislatures defer to courts and invite them to make policy. The idea that the legislature will not pass bills in order to obviate the need for the courts to interpret, expand, or retract the meaning of contentious pieces of legislation is only beginning to receive attention in the literature. In states in which supreme courts

are ideologically extreme, legislatures may be hesitant to enact legislation because of how it might be construed. Furthermore, legislators may find it difficult to muster the necessary support to pass legislation in these climates.

This study considers the possibility that the anticipated actions of one branch of government (i.e., the courts) might discourage or prevent policy making by another branch (i.e., legislatures). A model of bill success is tested empirically across major state policy domains. A measure of judicial preferences is included in the model to ascertain the extent to which judicial ideology and perceived judicial climate constrain legislative behavior at the state level. The findings indicate support for the supposition that judicial ideology does influence the likelihood of a bill being enacted into law.

Legislative-Judicial Interaction

In a constitutional democracy in which courts are permitted judicial review, the balance of power between courts and legislatures is a significant issue. In the United States, it has long been assumed that appellate courts, especially courts of last resort, serve to protect the rights and interests of minorities against potential abuses resulting from popular will.

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Thus, the role of appellate courts is to defend basic constitutional liberties from political repression.

In his seminal article, Dahl (1957) challenges this conventional wisdom, arguing that the U.S. Supreme Court cannot sustain a nonmajoritarian role in the U.S. system. He suggests that because justices are recruited from the political arena, they can be expected to support the regime that recruited them. Exceptions are likely to occur only when a new political coalition emerges. In this regard, judicial-legislative interaction has been understood as courts reacting to legislatures, usually validating their decisions.

A more contemporary writer notes that the purpose of judicial review in constitutional courts is to “oversee and constrain the exercise of political power by legislative majorities” (Vanberg 2001, 346). Whether review by the courts serves this function remains unclear, however. To ascertain the extent to which the threat of judicial review holds the exercise of power in check or discourages the passage of legislation requires thinking more critically about how courts and legislators interact.

Separation-of-powers models are increasingly being used to examine the ways in which courts and legislatures at both the state and federal levels constrain one another by virtue of judicial review. Rogers’s (2001) research suggests that Congress must act in a climate of uncertainty as to the ultimate consequences of a ratified bill. He noted that the Supreme Court can influence Congress by striking down legislation and that the courts have an informational advantage relative to legislatures. Rogers further explained that courts “make an informational contribution to the policy process that legislatures cannot easily replicate” (2001, 87). Moreover, “what the legislature loses to judicial policy making, it more than makes up from the informational service that the Court provides in helping the Legislature to secure its own policy goals” (2001, 96).

Recent scholarship on the interaction between legislatures and courts comes out of

the Neoinstitutionalist movement within judicial politics. The Neoinstitutionalists seek to modify the behavioral paradigm and bring “institutions and rules back into the study of policymaking” (Barnes and Miller 2004, 4). Neoinstitutionalism is therefore firmly grounded in rational choice theory (Hall and Brace 1999, 283), the assumption being that actors are instrumentally rational. That is, legislators and judges act in accordance with their preferences, knowledge, and available choices within certain institutional arrangements and political contexts.

Because policy emanates from interactions among the branches, it may be useful to study the ways in which judicial ideology informs the legislative process, and vice versa. Neoinstitutionalists argue that behavioralists, using social-psychological models, have overstated the competitive nature of legislative-judicial interactions. The behavioralist assumption is that judges and legislators are rivals and that attitudes and ideology drive behavior.

By contrast, Neoinstitutionalists contend that if rationality drives behavior, then legislators and judges might seek to anticipate the responses of each other. Some scholars have posited that the U.S. Congress sometimes defers to the federal courts to make policy (Lovell 2003). The idea that legislators empower judges to make policy as a means of escaping accountability is underscored by Lovell (2003), who challenges the notion that insulated judges threaten democracy when they stray from baseline positions chosen by legislators, essentially acting as rivals to elected representatives.

As Kagan (2004) notes, it is inevitable that courts will be actively involved in policy making in the U.S. system of government because of the way in which power is separated. Policy may be the end result of dispute resolution, which is the purview of the courts. Legislators may encourage the courts to function in this capacity if they are ambivalent toward legislation or uncertain that it will allow them to achieve their goals. Conversely, under different circumstances, legislators may not want

courts to have the opportunity to rule on legislation. The most effective way to guarantee that the courts do not make rulings is not to pass such legislation.

Barnes (2004) suggests in his study of legislative overrides of judicial decisions that the policy issue and its salience inform the nature of legislative-judicial interaction. The issue area may well determine whether the legislature will enact a policy in anticipation of a judicial response. Issues that do not affect the budget but do affect the rights of discrete, insular minorities, for example, may well be phrased vaguely to invite judicial policy making (Barnes 2004, 192–93).

The study presented here extends upon Barnes's work by examining whether the nature of an issue juxtaposed against the perceived ideology of the court might discourage or delay passage of legislation. The contention is that the relationship between courts and legislatures is not confined to formal responses to codified decisions and policies of the other branch. Similarly, Pickerill (2004) observes that scholars need to synthesize the traditional-institutional approach to policy making with the behaviorally oriented social-psychological approach. He suggests that legislators are aware of judicial decisions—and by extension, judicial ideology—and that their awareness may inform their behavior (Pickerill 2004, 152).

Theoretical Framework

Most scholarship devoted to legislative-judicial interaction has focused on the relationship between the U.S. Congress and the Supreme Court. This study contributes to the emerging field of analysis of interbranch relationships by examining the judicial climates in which bills are enacted at the state level. It is instructive to look at legislative-judicial interaction in the state context because states provide a “unique comparative analytic advantage” (Brace and Jewett 1995, 643). Moreover, some state courts of last resort have low levels of dissent, suggesting they are not as

ideologically extreme as other state supreme courts (Brace and Hall 1990). Institutional arrangements may also minimize the ability of judges to be unabashedly attitudinal in their approach to decision making. As Neoinstitutionalism suggests, legislators' perceptions of the political climate may influence their decisions.

In this article, a fairly straightforward transaction cost theory is posited: legislators will not want to enact laws they suspect the court of last resort will strike down, believing it would be more productive to advocate for legislation the court would be more willing to accept. They might introduce bills for myriad reasons including garnering electoral support, responding to interest group pressure, or proactively taking a position on issues. Introducing a bill is easy and relatively cost free. Enacting a bill, however, requires more resources. Legislators might therefore want to pass legislation they think will survive judicial review.

This transaction cost theory is derived from the same assumptions as rational choice theory as understood by the Neoinstitutionalists. In their examination of legislative-bureaucratic interactions, Huber and Shipan (2000) note that political actors are viewed as rational optimizers who adopt strategies to maximize utility. These actors—legislators and judges alike—are boundedly rational in the narrow sense that they may have insufficient or inaccurate information that limits their ability to make sound decisions (Huber and Shipan 2000, 26–27). Similar logic may hold for legislative-judicial interactions. Even though legislators cannot predict the future behavior of judges, their perceptions of that behavior can inform their reasoning.

Huber and Shipan (2000) also assume that politicians are policy oriented and face particular types of transaction costs. Politicians may choose to delegate authority to agencies in order to maximize utility given the trade-off between the policy and the transaction cost. Legislators might be not only reticent about proposing ideological legislation but

also unable to marshal the resources needed to pass it, even though there may be support for it.

There is some qualified support in the literature for the argument that judicial climate constrains legislatures. For example, Mansbridge (1986) argues that some state legislatures were reluctant to ratify the Equal Rights Amendment for fear that a liberal U.S. Supreme Court would interpret it more broadly than intended or desired by members of those legislatures. Stiles (2002) argues that for similar reasons, legislation expanding the rights of gays and lesbians is less likely to be successful in states with liberal courts.

Preliminary work examining the preemptive power of courts with regard to the passage of legislation in specific policy areas indicates that the anticipated judicial response to legislation does shape legislative behavior. For example, Brace and Langer (2001, 4) found that in the policy areas of abortion and the death penalty, judicial ideology coupled with the perceived likelihood of judicial intervention help determine whether a legislative policy will be enacted. Similarly, in his work on education policy, Wilhelm (2003) concluded that the ideological distance between a state supreme court and a state legislature decreases bill introductions. Further, "when state supreme courts pay more attention to education, legislatures introduce less policy" (Wilhelm 2003, 21). As Brace and Langer (2001) suggest, judicial review has passive effects.

Most studies incorporating transaction cost theory have been interpretive (Huber and Shipan 2000). Extending the theory to legislative-judicial interaction by testing empirically verifiable propositions and expanding the scope to include multiple policy areas, this study posits that legislation is more likely to be enacted in the presence of moderate courts. Courts of last resort that are understood to be ideological in either direction might interpret legislation counter to legislative intent, thereby discouraging its progress.

Factors of Bill Success

Partisan composition and degree of professionalization in a state legislature and the critical mass or strength of the benefiting constituency have been shown to affect the success of proposed legislation at the state level. Similarly, because interest groups influence the progress of bills in state legislatures, a dense network of interest groups may make bill passage more difficult (Lowery and Gray 1996). Recognizing the importance of institutional variables, this study goes beyond focusing on the internal workings of the legislature to examine the legislative-judicial relationship.

Relationships among political actors and the extent to which political elites are responsive to the perceived preferences of other actors may inform legislative behavior in terms of interaction with the judiciary (Brace, Langer, and Hall 2000). Legislators, as strategic actors, might be reluctant to respond to judicial interpretation of statutes. Preventing the enactment of a bill may be deemed more desirable than having to revisit it because of how the courts construed it (see also Rogers 2001).

Although actors might be expected to be most effective when different ideological perspectives prevail across the two branches, liberal courts may discourage the passage of liberal legislation and vice versa. Judges have the potential to interpret legislation more broadly (and narrowly) than even ideologically similar legislators would like. Ideologically dissimilar legislators might be able to secure the necessary resources to defeat legislation that could be expanded (or narrowed) beyond what they can tolerate. Accordingly, this behavior is most apparent when the legislature determines whether to enact the legislation.

A situation in which the branches are ideologically similar may have depressing effects on legislation. Krehbiel (2005) found in his study of national policy making that most legislation that is passed by Congress enjoys

much more than bare majority support.¹ In fact, the average proportion of legislators who supported successful legislation was .819. If this finding holds at the state level (the data in this study show an average of 86 percent support for legislation), two major implications follow.

First, in legislatures in which there is not a supermajority, members must look to moderates for bill support. Like other actors, moderates may be wary about the courts interpreting ideological legislation expansively even though they may be willing to support it. Because a supermajority seems to be necessary to enact legislation, an elite ideology variable measuring the average ideology of legislatures may not be a predictive factor in the passage of ideological legislation. Second, unless more than 80 percent of the legislature is composed of the same party, most bills are passed with bipartisan support. Thus, party composition of the legislature alone may not entirely explain why bills are passed, as Krehbiel (2005) suggests.

Data and Methods

The model of bill success employed in this study seeks to explain the factors that affect the progress of proposed legislation in the legislative process. It is predicted that the degree of success will be explained by judicial and state government ideology, partisan control of the legislature, interest group strength, and sponsorship of the legislation. The model controls for the ideological distance between the legislature/governor and the state supreme court and for committee sponsorship.² The results of a model that includes judicial variables should provide insight into legislative-judicial interaction in terms of not only legislative motivations but also the role of courts in the political process.

The data for this study were drawn from the State Legislative Dataset. To test the hypotheses, all ideological bills that originated in the House were modeled using robust standard errors, with a dummy variable for

conservative bills.³ There were 2,841 liberal bills and 699 conservative bills available for analysis over 20 years between 1973 and 1993.⁴ Included in the dataset were bills from Arkansas (1993), Arizona (1985, 1989, and 1993), Kansas (1981 and 1993), New Jersey (1993), Ohio (1973 and 1989), and Virginia (1973 and 1993). Additional state-level variables were provided by other sources. Liberal bills included those that expand the size of government, increase regulation of business, are pro-choice on abortion, protect workers and the environment, increase civil rights, or are progressive on racial issues. Conservative bills included those that seek to cut social spending by the government, decrease regulation of business, promote traditional social values, support police power, take a narrow view of the rights of the criminally accused, or privatize government programs.

The dependent variable for all models was whether or not an introduced bill passed in the legislature. Thus, the measure is dichotomous, the possible values being 0 for not passed and 1 for passed. Independent variables were divided into groups for conceptual purposes: ideology, legislative environment, state political environment, and bill crafting and sponsorship.

Ideology

Ideology of the state court of last resort is expected to be influential in determining legislative success. However, no direct measure exists to gauge the ideological preferences of the state supreme courts. A measure was therefore derived based on Brace, Langer, and Hall's (2000) contextually based, party-adjusted surrogate judicial ideology measure. The values of this variable do not change over time, range from 0 to 100, and are based in part on the ideology of the state at the time a justice became a member of the state supreme court, the selection method of the court (appointment or election), and justices' partisan affiliations. To test the theory that ideological bills are more likely to progress through the legislature when the state supreme court is

moderate rather than conservative or liberal, the variable was recoded as the absolute value of the distance from a perfectly moderate court. In the sample, the mean value of the state supreme courts is 45; the absolute value of the ideological distance of each supreme court is therefore subtracted from 45.⁵ Thus, a conservative court with a ranking of 20, for example, and a liberal court with a ranking of 70 would receive the same score. A significant negative result for this variable would support the hypothesis that ideological courts prevent the progress of ideological bills.

Alternatively, even if a legislature is sympathetic to the ideological leanings of the state supreme court, it may be the ideological distance between the legislature and the court (regardless of ideological extremism) that negatively affects legislative action. Accordingly, the absolute value of the difference between the ideology of the state supreme court (employing Brace, Langer, and Hall's [2000] judicial ideology measure) and Erikson, Wright, and McIver's (1993) measure of state ideology was determined.⁶ Support for the ideological distance hypothesis would be indicated by a significant negative relationship to the dependent variable (that is, the greater the ideological distance, the less support the legislation enjoys in the legislature).

Legislative Environment

Measures also were included for political party, the interest group population, and the professionalism of the state legislature. Two dummy variables were created for whether or not the legislative process is controlled by the same party (that is, whether the House and Senate members and governor are of the same party; divided government is the suppressed category). For the interest group measures, Gray and Lowery's (1996) measure of interest group density was included, as was their measure of the percentage of interest groups in the state that are nonprofits. Gray and Lowery (1996) found that bills generally are less likely to pass when interest group density is higher and are more likely to pass

when there are more nonprofits in the state. The density effect was also found by Bowling and Ferguson (2001).

Legislative professionalism corresponded with Carey, Niemi, and Powell's (2000) measure of degree of professionalism in the state legislatures, which considers legislative staff, salary, length of the legislative session, and other factors. It is possible that the more professional a legislature, the more decentralized it would be to allow individual members more power and thereby improve their reelection prospects (see, for example, Fiorina 1977). If so, then greater professionalization might have a negative effect on bill passage because decentralization might make it more difficult for bills to pass through all the necessary stages of the legislative process. However, members of more professional legislatures might require more campaign contributions to wage reelection efforts. In that case, professional legislatures might be more likely to pass bills to appease the relevant interest groups and assure future campaign finance.

State Political Environment

Measures were included for the party of the governor, gubernatorial power, and the political culture of the state. For party of the governor, a simple dichotomous variable was used, with values of 1 for a Republican governor and 0 for a Democrat. A variable for gubernatorial power was included because the strength of the governor vis-à-vis the legislature might affect the likelihood of bill passage as well. Also employed was Dye's (2000) measure of the appointive powers of governors. Appointive powers are considered to be strong if the governor does not require legislative approval to make appointments. A governor who is relatively independent from the legislature may be expected to assert him- or herself to a greater degree in the legislative process. The measure is a five-point scale ranging from very weak (1) to very strong (5). Finally, Elazar's (1972) measures of state political culture were included to capture

differences in state conceptions of citizenship and good government. Table 1 shows the effects of moral and traditional political culture dummy variables (individualistic political culture was suppressed).

Bill Crafting and Sponsorship

It is hypothesized that certain attributes of a bill will affect its success in the legislature. Reingold and Schneider (2001) found that committee-sponsored bills have a higher chance of passage in the legislature. Therefore, a dichotomous variable was included for whether or not a bill was sponsored by a committee. Also included as a separate independent variable was the number of members who cosponsored or “signed on” to a bill after

it was crafted. It is expected that the greater the number of bill sponsors, the greater legislative success the bill will enjoy.

Further, a variable for bill type was included. Resolutions and other nonbinding legislation may be expected to enjoy more success than regular bills. Thus, a dummy variable is included for bill type (0 for a bill; 1 for non-binding pieces of legislation). Finally, because the state legislative dataset oversamples women legislators and because it is possible that the gender of the sponsoring legislator could affect the bill’s chances for success (see the debate between Thomas 1994 and Tolbert and Steuernagel 2001), a variable was included for whether a bill’s primary sponsor was a woman, a committee, or a group of legislators.⁷

Table 1. Models of Bill Progress and Legislative-Judicial Interaction in State Legislatures for Liberal and Conservative Bills

Variable	Coefficient	Robust Standard Error
Ideology		
Supreme court extremism	-.104	(.015)***
Ideological distance between court and legislature	-.339	(.476)
Conservative bill	-.247	(.114)*
Legislative environment		
Republican-controlled legislative process	-.098	(.171)
Democratic-controlled legislative process	.144	(.210)
Interest group density	.000	(.000)
Nonprofit interest groups	.000	(.014)
Professionalism of legislature	.000	(.011)
State political environment		
Party of the governor	-.437	(.178)**
Power of the governor	-.474	(.122)***
Moral political culture	-.284	(.329)
Traditional political culture	.419	(.308)
Bill crafting/sponsorship		
Committee-sponsored bill	1.774	(.348)***
Number of bill sponsors	.000	(.000)
Type of bill (binding or not)	.248	(.173)
Woman sponsor	.090	(.106)

p* < .05. *p* < .01. ****p* < .001. *N* = 3,540. Wald chi-square = 683.38. Prob > chi-square = .0000. Log likelihood = -1558.2701.

Results

This study finds that there is evidence of interaction based on ideology between state courts of last resort and state legislatures. Bills are less likely to pass the more a state supreme court becomes ideologically extreme. There is less support among legislators to pass liberal bills if the court is perceived as being likely to either overturn them or interpret them expansively (see also Stiles 2002). Further, ideological bills in general enjoy more legislative success when the state supreme court is moderate rather than conservative or liberal. This finding supports the argument that legislatures anticipate the likely results of a court challenge to an ideological bill and that the bill is less likely to succeed when it potentially could be struck down or interpreted more expansively by a supreme court than the legislature intends.

Using predicted probabilities to examine bill passage for the general model, it can be estimated how much of a dampening effect supreme court extremism has in the legislature. Holding all other variables at their mean, the change in the probability of bill passage by varying supreme court extremism from 0 (i.e., a perfectly moderate court) to two standard deviations above the mean can be determined (a mean of 24 indicates a very extreme court).⁸ When the court is perfectly moderate, the probability of bill enactment is .40. When the court is extreme, however, the probability of a bill passing is only .05. Thus, all else equal, a bill in a state with a perfectly moderate supreme court has a .35 higher probability of being signed into law than does a bill that is introduced in a state in which there is a very extreme supreme court.

The ideological distance variable is not significant. However, it should be noted that in many previous models, the variable is significant and that it becomes nonsignificant when the control variables for political culture are included. The dummy variable that denotes a conservative bill is significant and negative. Conservative bills are considerably less likely to pass than liberal ones.

The finding that legislative environment and party measures are not significant corroborates Krehbiel's argument that the support of moderates and the minority party are necessary for bill passage. Also insignificant are the interest group variables. The legislative professionalism variable is negative but not significant at the .05 level.

For the political environment variables, the presence of a Republican governor has a significant and negative effect on the passage of legislation. This finding should not be interpreted to mean that Republican governors are less interested in ideological legislation, however, because there are more liberal bills in the dataset than conservative ones.⁹ Further, in states with more powerful governors, legislation is also significantly less likely to pass. Perhaps strong governors are less hesitant when they do oppose legislation. Or perhaps legislators, anticipating a veto or other opposition from a strong governor, are less likely to pass legislation in that context. Neither of the political culture variables is significant.

For the bill crafting and sponsorship variables, the findings support those of Reingold and Schneider (2001) that committee-sponsored liberal bills are significantly more successful in the legislature but committee-sponsored conservative bills are not. The number of bill sponsors was not significant in any model. The type of bill, binding or not, was not significant.¹⁰

Conclusion

The notion that state supreme court ideological extremism influences legislative bill passage is supported by the findings of this study. Conservative bills are less likely to pass than liberal ones. Partisanship is not significant, perhaps because party configurations and goals differ across states. Also, bills are less likely to pass when the governor is Republican and has strong powers. Particular policies may have greater success with regard to contextual variables (see, for example, Brace and Langer 2001; Wilhelm 2003).

Furthermore, there is evidence that both conservative and liberal bills across all policy domains are less likely to progress in those states in which the state supreme court is understood to be explicitly ideological. Consequently, the judiciary may be more relevant to the legislative process than has been assumed by scholars. The idea that legislators are motivated by reelection concerns and act in accordance with constituency demands reflects only part of the reality. Based on this analysis, long-term policy goals also may shape legislative behavior. Part of the calculation of how best to achieve long-term policy goals is considering the likely response of the state court of last resort to the legislation. Transaction cost theory is seemingly a useful framework within which to make sense of legislative behavior vis-à-vis judicial behavior.

Moreover, the findings support the emerging emphasis on state supreme courts as key actors in the political and policy processes within states. As Brace, Hall, and Langer (2001, 82) argue, "State supreme courts are powerful institutions with a dramatic impact upon the American political landscape." The data support the contention that state courts of last resort are influential in the sense that legislators may anticipate the effect of the ideological composition of the court on the likelihood of bill enactment and make their decisions accordingly. Particularly noteworthy is the finding that state courts serve this preemptive function regardless of the ideological direction of either the court or the legislature. That is to say, it is not ideological distance that determines the extent to which the court can preempt legislation. For example, conservative legislators do not seem to be concerned that liberal courts will expand the meaning of legislation beyond what was intended by a conservative majority. Instead, it appears that legislation progresses the furthest in the legislative process in the presence of an ideologically moderate court.

It can be inferred that legislators do act to maximize their policy goals and push the hardest for enactment when courts are most

likely to leave the policy intact. Of course, at the individual level, legislators may want an ideologically compatible court to interpret the policy they propose. But given the coalitions necessary to enact a bill and the various stages at which a bill can fail, legislation generally is most likely to succeed when the court of last resort is not perceived as ideological (i.e., when opposition forces within the legislature do not need to amass support to defeat a piece of legislation).

The role of state courts as vital political players is evident in legislative-judicial interactions, which appear to influence politics and policy much earlier in the process than has been understood to date. Future research might examine not only other types of legislation but also the motivations of individual legislators. Moreover, subsequent studies could determine at which point in the legislative process bills are most likely to fail, thereby contributing to an understanding of why ideological courts discourage legislative success. Whether the minority party works harder to defeat legislation in the presence of ideological courts or whether the majority party is unable to put together an effective coalition in such climates is worthy of further exploration.

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Notes

1. This contention contrasts with Black's (1958) "minimum winning coalition" theories, defined as the smallest group necessary to impose a decision.
2. State and time dummies were included to test whether the results occurred because of variation in these factors. The variables of interest were not affected, so these dummies were excluded.
3. Because multiple states were examined over more than one year, it could not be assumed that the disturbances would be distributed normally. Therefore, robust standard error estimates were employed in the model.
4. Bills were included in the dataset if they were introduced by the legislators in the sample. The sample includes women in each legislature plus a random sample of their male colleagues and committee-sponsored bills. Because there is an oversampling of women legislators, a control variable is included in all models for whether or not a woman legislator was the bill's primary sponsor. Women were oversampled because the dataset was designed to address issues of gender and representation.
5. An alternative way to derive this measure would be to take the difference between each court and 50 (i.e., halfway between 0 and 100). Using this alternative measure of supreme court extremism does not affect the direction or significance of the variables of interest.
6. The cross-sectional party-adjusted surrogate judicial ideology measure could not be combined with Berry et al.'s (1998) variable for elite ideology (GOV6099) because the latter changes across time. Thus, most of the variation would have resulted from the change in the elite ideology variable. The judicial extremism measure and the ideological distance between the court and legislature are correlated at .54.
7. In early model iterations, a measure was included to control for the proportion of introduced bills enacted in a state during a year. However, the inclusion of enactment rates was not significant in either model and resulted in no significant increase in explanatory power.
8. This value was set to 0 for the variable supreme court extremism rather than two standard deviations below the mean because the number is negative and therefore has no substantive meaning. Predicted probabilities were calculated using King, Tomz, and Wittenberg's (2000) *Clarify* software package. Confidence intervals were set at 90 percent. The standard error was .04 for moderate courts and .01 for extreme courts.
9. An artifact of coding may account for the preponderance of liberal bills in the dataset, but they were not selected intentionally.
10. In separate models, this finding was negative and significant in the liberal model and positive and significant in the conservative one. Liberal legislative success may be easier when the type of legislation is nonbinding. Perhaps with the rise of conserva-

tism across the states, liberals are more likely to gain symbolic benefits whereas conservatives are more likely to obtain binding commitments from the legislatures.

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RESEARCH NOTE

Understanding State Spending on the Arts, 1976–99

Gregory B. Lewis and Michael Rushton

PUBLIC SPENDING on the arts illustrates the tensions between the desires of citizens and politicians to influence discretionary policy. At the federal level, arts policy appears to reflect the agendas of political elites rather than public demands, as illustrated by the evolution of the National Endowment for the Arts (NEA). Funding for the program, which was founded by the Democrats in 1965 largely as a tribute to Pres. John F. Kennedy, increased during the first 15 years of its existence at a much more rapid rate than did the federal budget. Republicans stopped expanding the NEA's budget in the 1980s and cut it in half after gaining control of Congress in 1994. These drastic political measures did not correspond with the intensity of public sentiment toward the arts, however. The only major public outcry over the NEA—the 1989–90 controversy over whether it was funding indecent, blasphemous art—had minimal immediate impact on its budget (DiMaggio and Pettit 1999; Lewis 2006).

Patterns in less frequently examined state arts spending tell a somewhat different story. State arts agencies jointly spend substantially more than the NEA (Schuster 2002). In 2006, for instance, states appropriated \$327.5 million for the arts—more than double the NEA budget. State spending also varies dramatically.

Per capita appropriations in 2006 ranged from \$0.06 in California to \$5.36 in Hawaii (National Assembly of State Arts Agencies 2006). State spending is also more volatile: aggregate appropriations have dropped by one-third in nominal dollars since 2001, with cuts of 90 percent in California and three-quarters in Florida in 2003 alone (Kinzer 2004). Public opinion may have more effect on policy at the state level than the federal level despite the low salience of arts spending (Norrander 2000). Because of its entirely discretionary nature, arts spending presents an interesting contrast to most models of state spending. This study examines 24 years of state legislative appropriations in order to draw conclusions regarding the forces that drive state spending on the arts.

State Spending on the Arts

When the NEA was founded in 1965, only seven states had arts councils. Largely because the NEA began giving states with arts agencies money to subsidize the arts, all states had agencies within a few years (Hofferbert and Urice 1985; Mulcahy 2002; Lowell 2004). The importance of NEA grants to states has dwindled. Currently, \$200,000 is allocated annually to each state, with additional funds

granted on a per capita basis and through Regional Partnership Agreements and National Service Awards. Aggregate spending by arts agencies surpassed the total NEA budget in 1985 and remains more than twice as high despite dramatic cuts in many states' arts funding since 2001 (DiMaggio 1991, 223).

About half the states have independent arts agencies; in the remaining states, these operations are subsumed within departments of culture, economic development, state, or education or in the governor's office (Mulcahy 2002). State arts agencies and the NEA spend their budgets similarly: "both are primarily oriented [toward] assisting professional arts organizations; both devote small proportions of their budgets to direct grants to artists; the states spend a little more on amateur and community oriented activities and, perhaps, a little less on the largest producing organizations; and the Endowment and the states allocate funds among disciplines in very similar ways" (DiMaggio 1991, 242).

Although collectively larger than the NEA, state arts agencies spend only slightly more than \$1 per capita on average. In such a "small-scale" environment (Hofferbert and Urice 1985), especially given the entirely discretionary nature of such spending, arts councils survive by building support from their political constituencies and making small grants to many arts organizations. According to Barsdate (2001, 3), "states that have achieved significant cultural policy goals [have struck a chord] among the state's most diverse arts constituencies: professional vs. amateur, large vs. small, urban vs. rural, emerging vs. established, etc. Polarity between these groups can undermine popular support for new cultural policy initiatives unless all of the stakeholders perceive the policy [as advancing] a distribution system that benefits them all." In response to arts agencies' strategies of spreading their funds as widely as possible, larger and more established arts organizations have successfully lobbied state governments directly for their own line-item funding (Urice 1992).

Explaining State Spending on the Arts

State policies strongly reflect the ideologies and beliefs of a state's citizens in a wide variety of areas (e.g., Nice 1983; Wright, Erickson, and McIver 1985; 1987; Erickson, Wright, and McIver 1993; Norrander 2000). Nice (1983) showed that there were strong correlations between presidential candidate George McGovern's share of a state's 1972 presidential vote and the state-local tax effort, welfare and education expenditures, and consumer spending. The ideology of a state's residents often is reflected in general policy liberalism and in specific policies, including rape laws, alcohol and drug statutes, balanced budget acts, economic development, welfare policies, and death penalty practices and reforms (Wright, Erickson, and McIver 1985; Erickson, Wright, and McIver 1993; Norrander 2000, 771–72). More recently, connections have been made between state policy and state-level measures of more specific public opinion on the death penalty (Mooney and Lee 2000; Norrander 2000), abortion (Norrander and Wilcox 1999), and political tolerance, homosexuality, welfare spending, and environmental spending (Brace et al. 2002; Lewis 2003).

These correlations may not hold true for arts spending, however. Legislatures are most responsive when issues are "easy" (that is, no expertise is required to interpret them) and are politically salient (Gormley 1986; Carmines and Stimson 1989; Haider-Markel and Meier 1996) and when legislative action is highly visible (Burstein, Bauldry, and Froeses 2001). Public spending on the arts is not salient, even to arts supporters (DiMaggio and Pettit 1999). Many voters do not know how much their state spends on the arts or how to participate in the debate over arts spending. Thus, legislators may vote according to their own political philosophies without being concerned about public reaction. In terms of the NEA, the fluctuating agenda of Congress appears to have driven the dramatic rises and

falls in the program's fortunes despite the fact that public opinion toward it has barely changed (DiMaggio and Pettit 1999; Lewis 2006).

Most Americans appear to favor some public funding for the arts (Filicko 1996). Pettit and DiMaggio (1998) examined 13 public opinion surveys conducted at the national, state, and local levels by Louis Harris Associates, the National Opinion Research Center (which conducts the General Social Surveys), and survey centers associated with state universities and summarized that a small majority supports public funding, preferring local over state funding and state over federal funding, but that few want to increase spending. Most supporters are politically and socially liberal and identify themselves as "arts lovers."

Regarding political liberalism, DiMaggio and Pettit (1999) found that support for arts funding is associated with a belief in an active role for government in the economy and that "strong Republicans" are more likely than others to favor cuts. Moreover, the more liberal a community, the more support there is for arts funding (Brooks 2001; 2004). Artists and their audiences and donors tend to be more politically liberal than the general population (Lewis and Brooks 2005). Attitudes toward domestic spending (on the environment, health, police and law enforcement, education, and retirement and unemployment benefits, for example) have been shown to be the strongest indicators of support for public arts spending; liberalism and Democratic Party identification have additional positive effects (Lewis 2006). Using data from a referendum in metropolitan Detroit on a property tax increase earmarked for the arts, Rushton (2005) determined that the percentage in a precinct voting for the Democratic candidate for governor was the strongest predictor of the percentage voting for the referendum.

Social liberalism also is correlated with public support for arts spending. Artists, patrons, and donors have been found to be less religious (in particular, less fundamentalist) and more politically tolerant, sexually permis-

sive, and likely to favor legalized abortions and marijuana use than the general population (Lewis and Brooks 2005). According to Lewis (2006), approval of homosexual and extramarital relations and support for civil liberties for unpopular minorities are important predictors of support for public spending on the arts, even after controlling for political liberalism and personal characteristics.

Furthermore, education (but not income) has been found to influence support for arts spending (DiMaggio and Pettit 1999; Brooks 2001; 2004; Rushton 2005; Lewis 2006). Lewis (2006) concluded that higher education levels indicate a greater preference for the arts. Women, single and divorced persons, and city-dwellers are more likely to advocate for the arts than are men, married people, and those who live in more rural areas: the former groups are more likely to attend arts events than the latter (Heilbrun and Gray 2001; Throsby 1994).

The low salience and public visibility of state arts spending suggests that politicians' values rather than those of their constituents may determine spending outcomes. At the federal level, a bipartisan coalition created the NEA and rapidly increased its funding in its early years; opposition came primarily from Republicans and conservative Democrats. Opponents have made several arguments: (1) spending on the arts is a luxury that is wasteful in tough budgetary times; (2) the private market, not government, should decide the value of works of art; and (3) special interest groups too easily capture arts bureaucracies, leading them to fund art repugnant to the general population (Rushton 2003).

The argument that spending on the arts may be wasteful drove the debate in the NEA's early years (Moen 1997). Pres. Ronald Reagan achieved the first cut in the NEA budget (in nominal dollars) in 1982 based on objections to "the general principle of government support for the arts" (Cummins 1991, 57) and to "the rising federal budget deficit" (National Endowment for the Arts 2000, 34). In a later serious challenge to the NEA's existence, crit-

ics charged it with funding blasphemous, indecent art after program money went to Andres Serrano's *Piss Christ* and to the traveling retrospective *Robert Mapplethorpe: The Perfect Moment* in 1989. Sharp cuts were made to the NEA budget in 1995 when the Republicans took control of Congress (Brenson 2001; also see Alexander 2000 for a personal account from the chair of the NEA at the time).

In terms of partisanship, Democrats tend to be more likely than Republicans to argue that the arts produce positive externalities in consumption and production and leave an important legacy for future generations (Frey 2000; Throsby 2001). They argue that arts activity boosts economic growth and the local tax base by generating ideas that spill over into other creative sectors in the economy and by attracting new businesses and young, mobile, highly educated creative workers (Florida 2002). Democrats also are more likely to justify public funding on equity grounds, arguing that poverty, geography, or lack of parental interest will limit some groups' access to experiences with the arts that constitute part of the foundation of a fulfilling life (e.g., Baumol 1997).

Government divisiveness also is a factor when it comes to funding for the arts. In general terms, parties may take more strategic positions when they compete for control of state government. Fiorina (1991) notes the increasing incidence of divided government in the states when the governor's party does not have a majority in both houses. Divided governments tend to spend more than unified Republican governments and less than unified Democratic governments, but their spending levels more closely approximate those of Democrats (Alt and Lowry 1994; 2000). Poterba (1994, 817–18) argues that unified governments adjust better to unexpected budget deficits, partly because of “the lower costs of reaching political consensus in single-party states” and the political vulnerability of governors and legislators, which makes them more “reluctant to take unpopular actions, such as raising taxes or cutting spending.” Similarly,

Persson, Roland, and Tabellini (1997; 2000) found that parliamentary systems (which are among the most unified governments) tend to spend more than presidential systems but target spending more efficiently toward public goods rather than special-interest transfers (see Rushton 2002 for an example in the arts context). Thus, if governments fund the arts primarily because of a belief that arts benefit society generally, unified governments are likely to spend more on the arts. If arts spending mainly subsidizes influential interest groups, divided governments are likely to deliver more funding.

Data and Methods

This study employed fixed-effects panel data analysis to examine state spending on the arts from 1976 through 1999. The dependent variable was the natural logarithm of per capita state appropriations for arts agencies and line-item grants to arts organizations, expressed in constant dollars (National Assembly of State Arts Agencies 2001). Line-items were not modeled separately. Throughout this period, fewer than half the states designated line items for the arts; in earlier years, fewer than 10 states did. Natural logarithms were used because it was expected that the independent variables have constant proportional rather than dollar effects. Coefficients on state dummy variables indicated proportional differences in spending, and coefficients on state per capita income and government revenues (also measured as natural logarithms) were elasticities.

Citizen desires were measured in several ways. First, political liberalism was estimated using Berry et al.'s (1998; 2006) state-level measures of citizen liberalism. This variable, widely used in the study of state politics, combines the ideologies of a state's members of congress and their (defeated) opponents, weighting them by their share of the vote in the most recent election. The scale has a theoretical range of 0 to 100. Second, a proxy for social liberalism, which has an important

effect on attitudes toward the arts, was a state-level measure of acceptance of homosexuality (Lewis 2003). Lewis (2003) performed probit analysis on 56,000 respondents to three series of public opinion surveys, the answer choices for which were whether homosexual sex is always wrong, should be illegal, or may have called down “God’s punishment” in the form of AIDS. The model included dummy variables for each state and answer choice and took account of separate time trends for each census region for the periods before and after 1987. The measure—the estimated percentage of state residents in each year who would have said that “sexual relations between two people of the same sex” were not “always wrong”—had a mean of 45 and a range of 21 to 84. Third, per capita income and the percentage of the population over 25 years of age with at least a bachelor’s degree were indicators of a state’s demand and ability to pay for the arts.

The characteristics of state governments were measured in a variety of ways. First, per capita state government revenues indicated the resources available to governments. The tighter the constraints on government spending, the more weight was expected to be given to the claim that the arts are a wasteful luxury. Second, Berry et al.’s (1998; 2006) measure of the political liberalism of the state legislature and governor (also widely used in state politics research) was employed. Third, a dummy variable for divided government was included, coded 1 if a party different from that of the governor controlled at least one house of the legislature. Divided government was expected to have a negative effect on arts spending if the arts primarily are considered to be a public good and a negative effect if they are regarded as a private good subsidized by the state. Fourth, as an alternative measure of the strength of a state’s economy and of competing demands for state government resources, the regression included the state’s unemployment rate.

A fixed-effects model was used to control for unobserved factors that could otherwise bias the findings. Dummy variables were in-

cluded for each state to capture unmeasured time-constant characteristics that influence state arts funding (e.g., a state’s history and political culture). Also incorporated into the analysis were dummy variables for each year to capture changes that occur over time at the national level and that affect all states (e.g., the health of the national economy). These dummy variables alone explained 78 percent of the variation in per capita arts spending; by comparison, the independent variables explained little. Bearing in mind that fixed-effects models pay for their unbiasedness through multicollinearity that inflates standard errors, at least 90 percent of the variation in most of the independent variables in this regression could be explained by the remaining independent variables, making it more difficult for regression coefficients to achieve statistical significance, especially since they do not vary much over time.

Results

The results of this study show that per capita state revenue and per capita income are the most important predictors of per capita spending on the arts (Table 1). The coefficients for these natural logarithms indicate elasticities of approximately 1. As either per capita revenue or per capita income rises by 1 percent, holding the other constant, per capita state spending on the arts is expected to increase by about 1 percent. In addition, as citizen liberalism increases by one percentage point, expected arts spending increases 0.6 percent. A one-point rise in the measure of acceptance of homosexuality is associated with a 2.2 percent increase in arts spending.

Somewhat surprisingly, the education coefficient is insignificant, despite previous research (done primarily using individual-level data) that education matters more than income in support for public spending on the arts (Brooks 2001; 2004; Rushton 2005). Because the education measure does not vary much over time and is strongly correlated with per capita income, multicollinearity could explain

Table 1. Fixed-Effects Model for Natural Logarithm of Per Capita State Arts Spending

Variable	Coefficient
Per capita income	1.185** (3.65)
Per capita state revenue	1.060** (4.59)
Citizen liberalism	0.552* (2.39)
Approval of homosexuality	2.240* (2.02)
Proportion of adults (aged 25+) with bachelor's degree	-1.089 (0.90)
Government liberalism	-0.001 (0.01)
Divided government	0.020 (0.74)
Unemployment rate	-1.448 (1.27)

N = 1,199. *R*² = 0.80. **p* < .05. ***p* < .01.

Note: Model is based on 1975 dollars. Robust *t* statistics are in parentheses. Model also includes dummy variables for states and years. Per capita income and per capita state revenue are expressed in logged constant dollars.

the insignificance, except that the education coefficient remains insignificant even if the per capita income and revenue variables are dropped. Further, the education coefficient tended to be positive and significant in cross-sectional regressions but only when it was the only independent variable. It lost its significance when citizen liberalism was added to the model, suggesting that education affects arts spending primarily through the positive correlation between education and liberalism and in turn the positive correlation between liberalism and support for arts spending.

Government liberalism and divided government do not have a significant effect on arts spending. Apparently, the situation in the state legislature is not as important as expected. A sensitivity analysis using six dummy variables to indicate all types of unified or divided government did not yield meaningfully different findings. The dummy variables

were a unified Republican government, a Republican governor with one house held by Democrats, a Republican governor with both houses held by Democrats, a unified Democratic government, a Democratic governor with one house held by Republicans, and a Democratic governor with both houses held by Republicans.

The fixed-effects results showed rapid increases in arts spending in the first five years of the study period, with spending in 1980 three-quarters higher in constant dollars than in 1976. From 1980 through 1990, spending increased slowly, with a jump in 1990 when spending was double that in 1976. Since 1990, however, real per capita spending has dropped steadily; by 1999, it had dropped below the 1976 level. The downward trend beginning in 1990 might be associated with the negative publicity surrounding the NEA at that time. State fixed effects were less remarkable. States in the West and in New England spent less on the arts than the explanatory variables would predict, but otherwise geographic patterns were not clear.

Conclusion

State government funding for the arts depends more on economic conditions and the political attitudes of citizens than on the ideology of legislators or on whether government is divided. Healthy financial positions, high personal incomes, and political and social liberalism all encourage more spending on the arts. The importance of state revenues suggests that the arts are part of a larger package of services that governments provide to their citizens. The near-unitary elasticity indicates that arts spending rises in proportion to general spending rather than increasing rapidly in flush times and being among the first items to be cut when economic conditions worsen, as one would expect if the arts were viewed as luxuries. Bigger government leads to more arts spending, but the nearly equal coefficients for per capita income and state revenues and the significant coefficients

for citizen (but not government) liberalism and acceptance of homosexuality suggest that citizen desires and values matter more than do those of politicians. This apparent responsiveness to citizen desires occurs even though arts budgets are small, not particularly visible, and not particularly salient.

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REVIEWS AND ESSAYS

Mexifornia: A State of Becoming

Richard D. Lamm

Victor Davis Hanson, *Mexifornia: A State of Becoming* (San Francisco: Encounter Books, 2003)

THE PROCESS OF crafting public policy regarding immigration has been hindered by a lack of accurate information. Estimates of the numbers of illegal immigrants range from 10 to 20 million, and the value of the contribution of these individuals to society inevitably lies in the eye of the beholder (Pew Hispanic Center 2006; Immigration Counters 2006). Hospitals, schools, police departments, and most public institutions are unable or unwilling to check immigration status, and because as many as 40 percent of illegal immigrants are paid off-books, it is impossible to obtain solid information about their status or withhold taxes from their wages. The debate about immigration policy is complicated by Americans' divisive attitudes on the subject. Building thoughtful policy in this area begins with conjecture about the magnitude of the problem and is made more difficult by firmly held opinions regarding immigration. Entering this foray is Victor Davis Hanson, who in his book *Mexifornia* broaches the fiscal and policy implications of illegal immigration for state and local governments.

Hanson is a life-long Californian whose family farmed for generations in the Central Valley of California, and his respect for Mexican immigrants and Hispanic culture is evident. Many of his schoolmates, friends, neighbors, students, and in-laws are or were Mexican immigrants. He clearly sympathizes with the predicament of both legal and illegal members of the community but is discouraged by what he sees in terms of immigration policy and the implications for exploiting this workforce.

A highly respected historian and widely published academic, Hanson has observed for decades the changing pattern of immigration and immigrants. Here he honestly and candidly expresses his conflicted feelings about the issue, citing the fact that historically, immigrants have been used and abused and then cast aside when they are no longer deemed productive.

Hanson makes several points to support his position. Whereas Mexican immigrants of the 1950s and 1960s arrived in manageable numbers and tended to assimilate into the community, the influx today has created massive problems for California that the entire nation eventually will have to confront. According to Hanson, short-term economic interests in cheap labor will lead to a more balkanized,

The opinions expressed here are those of the author and do not necessarily represent those of the Carl Vinson Institute of Government or the University of Georgia.

divided America in the future. Illegal immigration allows Mexico's elites to avoid reform because the United States serves as a pressure valve to reduce political dissent. Illegal immigrants who send their earnings back to their families in Mexico now provide the country's second-largest source of revenue. Shifts in attitudes have resulted, in Hanson's view, in a hostile and increasingly militant population that is regarded as expendable and is neither embracing assimilation nor succeeding in sufficient numbers to keep America—and California in particular—prosperous.

In Hanson's opinion, legal and illegal immigration is recreating Mexico in California, hence the title of his book. Crime, drugs, hit-and-run accidents, poor academic performance, and increasing resentment and radicalization are harbingers of a far different and less cohesive America. He sees the concept of multiculturalism as counter to that of assimilation and fears that U.S. policies will result in an underclass, the members of which will maintain allegiance to their home countries.

Hanson believes that it is difficult to have a candid dialogue regarding issues that deal with race or ethnicity. In the wake of the long-overdue struggle for civil rights—even now not completely resolved—people became more aware of the unconscious insensitivities that had developed over the 100 years since the Civil War. Any expression that potentially could be construed as racist is stigmatized. Thus, public discourse must gingerly step around the subject of race and other contentious issues. Hanson believes that a problem undiscussed and ignored only grows worse, however. In the case of Mexican immigration, he contends that a coalition of conservatives who endorse cheap labor and liberals who support open borders, together with the insidiousness of political correctness, has kept the debate off the table too long.

In terms of my own perspective as a former governor of Colorado, I had direct experience with the issues Hanson cites and have a few thoughts on the subject. It is easy to see why the illegal immigrant workforce may be attractive to some employers, who can ratio-

nalize hiring illegals because unlike regular employees, they do not have to be paid a standard wage plus benefits and can be fired without repercussions. These employing practices often violate minimum wage requirements, Occupational Safety and Health Administration standards, and overtime laws. Further, illegal workers who are injured often do not have access to workers' compensation. Nonetheless, even minimum wage is attractive to workers from countries whose standard of living is below that of the United States.

However, this "cheap" labor is subsidized in that taxpayers ultimately pick up the costs of education, health, and other services for this growing population. Smith and Edmonston (1997) at the National Academy of Sciences found that the lifetime net fiscal drain (that is, the lifetime costs to U.S. taxpayers for the average adult Mexican immigrant) is estimated to be more than \$55,000. A more recent report estimated that illegal households created a net fiscal deficit at the federal level of more than \$10 billion in 2002 (Center for Immigration Studies 2002). Thus, an individual immigrant may represent a source of cheap labor to a business, but counties, school districts, and states ultimately are responsible for the whole person.

For decades, illegal immigrants were itinerant single men who would arrive from Mexico or Central America, pick crops or perform other low-paid physical labor, and then return home. But starting in the 1960s, workers began to bring their families with them or smuggle them into the country later, establishing themselves as unofficial permanent residents. Studies show that today, the average illegal immigrant family is larger than the average American family (Pew Hispanic Center 2005). For example, it cost Colorado taxpayers over \$10,000 just to educate a single child in the state's public schools (more like \$11,000 per child per year for non-English-speakers).

Realistically, no minimum-wage workers or even low-wage workers pay anywhere near enough taxes to support even one child in school. Even if they were paying all federal and state taxes, the estimated 32.3 thousand

illegal alien children in Colorado school systems (out of an estimated Colorado population of 230,000 illegal immigrants) still impose gargantuan costs on state taxpayers. This figure is actually a significant understatement because there are an estimated 30,000 to 40,000 additional children born to illegal immigrants while they are in the United States (and these children are considered U.S. citizens), clearly adding to the total impact of illegal immigration.

In Colorado and increasingly nationwide, single-family houses are shared by three or more families of illegal immigrants earning at the most between \$15,000 and \$25,000 per family. However, their multiple children in the public schools cost taxpayers more in education costs alone than all three families' gross wages.

Studies show that about half of illegal immigrants lack a high school diploma (Pew Hispanic Center 2005). The National Academy of Sciences found that there is a significant fiscal drain on U.S. taxpayers for each adult immigrant (legal or illegal) without a high school education (Smith and Edmundston 1997). Thus, a low-income family with three or four children in the school system does not pay anything close to what it costs to educate their children and provide municipal services.

Americans pay in more ways than taxes. Cheap labor drives down wages as low-income Americans—the very people whom politicians profess to speak for when it comes to economic policy—must vie against illegal immigrants for jobs. Even employers who turn a blind eye to false documentation are forced to lower wages just to be competitive. It is, in many ways, a “race to the bottom” aggravated by a system that relies on a low-income workforce that is often recruited from other countries by middlemen who profit handsomely in order to sustain it. Professor George Borjas (1999) of Harvard, an immigrant himself, estimates that American workers lose \$190 billion annually in depressed wages caused by the constant flooding of the labor market from newcomers.

The dilemma is compounded by the fact that approximately 40 percent of illegal workers are paid in cash, off-books. Go to any construction site almost anywhere in America, and you will find illegal workers who are paid cash wages with no taxes withheld. Further, those illegal workers whose employers do pay withholding taxes may claim 12 or more dependents, so their taxable contribution is either nonexistent or minimal. Virtually every city in America has an area where illegal immigrant workers gather and are hired on the spot for cash wage labor. High costs, low taxes, downward pressure on wages—all have expensive consequences for communities.

Exacerbating the problem are high poverty rates. Mortimer B. Zuckerman, editor-in-chief of *U.S. News and World Report* (2005, 60), speaking about U.S. poverty, asked,

So why haven't overall poverty rates declined further? In a word—immigration. Many of those who come to the United States are not only poor but also unskilled. Hispanics account for much of the increase in poverty—no surprise, since 25 percent of poor people are Hispanic. Since 1989, Hispanics represent nearly three quarters of all increase in overall poverty population. Immigration has also helped keep the median income for the country basically flat for five straight years, the longest stretch of income stagnation on record.

The health-care costs of this illegal workforce are significant and subsidized by U.S. taxpayers. Approximately 46 million people living in America are without health insurance. Of these, 12 to 20 million people living illegally in the country do not have health insurance. The census bureau estimates that 11.6 million people in immigrant households are without health insurance (Bhandari 2006). It is technically against the law for illegal immigrants to claim Medicaid, but Health and Human Services Inspector General Daniel Levinson (2005, 18) found that “47 states allow self-declaration of citizenship for Medicaid. Over half of these never verify citizenship statements as part of their post-eligibility

quality control procedures.” Further, emergency rooms are being inundated by not only illegal immigrants but also their extended families because they have no other care options. Thus, more and more hospitals are going broke because of the constant stream of uninsured, particularly in border states.

Language barriers pose other problems. One can visit virtually any emergency room in Colorado or the Southwest and hear Spanish as the predominant language. According to an article in the *Rocky Mountain News*, “Colorado has one of the highest rates of new mothers who speak little or no English” (Quintero 2005). Over 80 percent of the births in Denver Health and Hospitals are to monolingual Spanish-speaking women. Denver Health, Colorado’s primary “safety-net” institution, estimates that it spends one million taxpayer dollars just in interpreting for non-English-speakers—a fraction of the cost statewide.

It is a violation of federal law to inquire about immigration status, and state agencies rarely require documentation in order for immigrants to obtain services. Thus, it is difficult to ascertain or estimate the real costs. Often when education funding, Medicaid, or state aid to hospitals is expanded, the problems grow faster than the solution. In Colorado, the State Children’s Health Insurance Program covers uninsured children, but a new flood of immigrant children without health insurance quickly overcomes any gains. Camarota and Edwards (2000) at the Center for Immigration Studies estimated that between 1994 and 1998, immigrants and their children accounted for 59 percent (2.7 million people) of the growth of the uninsured.

Although we live in an interdependent, interconnected world, the successful implementation of redistributive programs such as universal health care requires borders so that the resources of the social programs that most Americans compassionately support will not be depleted. Most social problems must be solved in a national context. I contend that no matter how sympathetic we may be toward the plight of illegal immigrants, we have a greater moral duty to citizens than to noncitizens. Americans

generally, and progressively minded people in particular, must defend borders or they will lose the social programs that they care about—none of which can survive without geographic limits and defined beneficiaries.

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