THE LINKAGE BETWEEN STATE SPENDING PRIORITIES AND STATE PROGRAM EFFORTS: COMPARING BOOM AND BUST PERIODS

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ABSTRACT

This paper looks at the relationship between policy spending priorities and program efforts in the American states. Governmental commitments to various public programs (i.e., their policy spending priorities) should exert a strong influence on the actions that they take (i.e., their program efforts). But, governmental intentions do not get translated automatically into specific actions. Other forces, such as state economies, federal support, and specific societal needs, come into play. We combine these factors into a single broad model of state-level program efforts. We analyze this model in four key areas of state policymaking– education, health, welfare, and highways– during both a period of economic boom (2005) and bust (2010). Our results show that state spending priorities play a strong role in shaping state government program responses. This relationship holds up across different policies and at different points in the economic cycle. But, the linkage is also tempered by factors unique to specific program areas.

State governments take specific actions to deal with citizen needs, societal problems, and political issues. For example, states establish highway networks for transportation, school systems for education, welfare benefits for needy populations, and hospital facilities for health care. In each of these cases— and in the many others that could be cited— government determines a policy objective (i.e., providing transportation, advancing education, etc.) and takes specific steps to achieve that objective (i.e., building roads, hiring teachers, etc.). The basic assumption is that governmental commitments to various objectives (i.e., their policy priorities) are strongly related to the actions that they take (i.e., their program efforts). But, the linkage between policy priorities and program efforts is not nearly so clearcut. On the one hand, governmental intentions do not translate automatically into specific actions: Policy objectives are often very general or vague, making it difficult to determine precisely what program activities should follow. On the other hand, there are additional factors that may influence this process: Underlying societal problems can expand (or contract); the national government can increase (or decrease) the level of support it provides; and economic conditions within a state can improve (or deteriorate).

In this paper, we focus directly on the relationship between government spending priorities and program efforts in the American states. We present a fairly broad model which incorporates several other important factors that impinge on this relationship. We analyze the program effort model in four key areas of state policymaking– education, health, welfare, and highways– during a period of economic growth and prosperity (2005) and then again during the recent downturn in the U.S. economy (2010). Our results show that state spending priorities play a strong role in shaping governmental responses. This relationship holds up across different policies and at different periods in the economic cycle. But, the linkage is also tempered by factors unique to specific program areas.

POLICY PRIORITIES AND PROGRAM EFFORTS IN THE POLICY PROCESS

Let us begin by defining the two terms that are central to our analysis. First, *policy priorities* comprise the element of governmental decision-making in which public officials allocate scarce resources, in the form of expenditures, to different program areas (Jacoby and Schneider 2001). Policy priorities operationalize the “governmental decision agendas” within their respective jurisdictions (Kingdon 1995); that is, the relative salience that public officials accord to various social and political issues (Baumgartner and Jones 1993). It is important to emphasize that policy priorities identify the *tangible* distributions of public resources and not merely the *intentions* of politicians and office holders (Garand and Baudoin 2004).

At the state level, policy priorities are a clear manifestation of the institutional commitments of state governments (Jacoby and Schneider 2001). They indicate the relative salience that state officials accord to various social and political issues (Garand 1985; Garand 1988; Garand and Hendrick 1991; Ringquist and Garand 1999). Although the establishment of policy priorities is formally carried out by state legislatures, it is the culmination of a much broader process involving public demands (Raimondo 1996), interest group pressures (Gray and Lowery 1988; 1996; Thomas and Hrebenar 2004); bureaucratic procedures (Barrilleaux 1999; Schneider, Jacoby, and Coggburn, 1997; Elling 1999, 2004), and executive proposals (Beyle 1996, 2004).

Second, we define *program effort* as the specific actions that a state undertakes to achieve a given policy objective. Program efforts comprise a conceptually important aspect of the policy process, one that goes beyond the institutional commitments to fund solutions for societal problems (John 2011). Policy priorities show *where* resources are allocated, while program efforts show *how* these resources are used.

Some of the early empirical studies of state politics referred to program efforts as a distinct component of the policy process, representing the services that citizens actually receive for their tax dollars (Sharkansky 1967; Sharkansky and Hofferbert 1969; Hofferbert 1974). From a slightly different perspective the policy implementation literature views program effort as the set of services, personnel, and activities which enable public officials to put policies into place (Pressman and Wildavsky 1973; Ingram 1990; Hill and Weissert 1995; O'Toole 2000). Similarly, current research on policy evaluation/analysis identifies program effort is terms of the coverage that programs provide and the range of services they deliver. (Dunn 1994; Rossi and Freeman 2004).

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

Anyone familiar with the policy process implicitly understands the difference between policy priority and program effort. Governmental officials may indicate through their words, activities, and financial appropriations that they are committed to certain policy goals. But, subsequent events can (and often do) occur to prevent these commitments from being fulfilled. For example, the underlying societal problems that led to the original policy choices may change. Or, economic factors (e.g., sudden recessionary trends, rising unemployment rates, etc.)

can also create difficulties for public programs. And, of course, political and administrative forces can hinder program developments in a variety of ways (Pressman and Wildavsky 1973). For all of these reasons there are often discrepancies between resource allocation (i.e., policy priorities) and the actualization of public programs (i.e., program efforts).

We believe that the relationship between policy priorities and program effort is a critical component of the more general policy process. In effect, policy priorities are the “bridge” between public demands and governmental services. Expenditure commitments are often the targets of those who would influence government, such as parties and interest groups as well as individual citizens (Raimondo 1996; Winters 1999). Adequate financing is a necessary precondition for any meaningful policy activity (Garand and Hendrick 1991). Therefore, policy expenditures have a profound effect on the ways that state governments ultimately address issues and ameliorate social problems— that is, their program efforts (Palumbo and Calisto 1990; Ingram 1990; Lowry 2008).

From a theoretical perspective, the impact of policy priorities on program efforts is clearcut. However, the empirical evidence gleaned from previous research presents a far more ambiguous picture. In fact, the classic studies in this field found virtually no relationship between program expenditure levels and measure of public services in the states (Dye 1969; Hofferbert 1966; Gray 1974; Sharkansky 1979). Other work combines expenditures and program outputs together into broad, composite measures of state policy activity (Sharkansky and Hofferbert 1969; Klingman and Lammers 1984; Plotnick and Winters 1985; Wright, Erikson, McIver 1987; Erikson, Wright, and McIver 1989; Berry and Berry 1990; Erikson, Wright, and McIver 1993; Gray, Lowery, Fellowes, and McAtee 2004; Monogan, Gray, and Lowery 2009). Hence, they simply do not distinguish between priorities and efforts.

A number of problems have been identified in these studies. For example, Hofferbert argued that the null relationships between expenditures and services were due primarily to the relatively "crude" measures that were employed (1974, p. 212). And, Jacoby and Schneider (2009) have argued that broad composite measures of public policy pool information over time (sometimes over fairly long periods of time) and combine diverse aspects of public policy-making (i.e., program adoptions, spending levels, service capacity, populations covered, etc.) in a non-differentiated fashion . Therefore, further research is needed to sort out the linkage between spending priorities and program efforts.

A MODEL OF STATE PROGRAM EFFORTS

This analysis looks at state governmental program efforts in four policy areas: Education, health care, highways, and welfare. The policies in these areas address some of the most significant problems and social needs within states (Wong 2008; Rom 2008; Saiz and Clarke 2008). They consume enormous amounts of state resources and are the bases of prominent, ongoing political conflicts (Ringquist and Garand 1999).

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

The reasoning behind each of these causal factors is straightforward. As mentioned earlier, spending money on a social objective suggests an overt commitment. The democratic responsiveness of state governments holds that public officials should take action to address the needs and demands of their constituents (Key 1949). General economic well-being delimits the overall amount of resources that states can deploy (Dye 1966; Ringquist and Garand 1999). The federal government provides extra financial assistance to supplement state only funds (Hanson 1999). And, political context represents the broad differences that exist in the values and orientations of the citizens within different states (Elazar 1984; Erikson, Wright, and McIver 1993; Hero and Tolbert 1996; Gray 2008).

We do not believe that the conceptual importance of any of these variables is open to serious debate. Economic conditions, population needs, federal assistance, and political context repeatedly have been shown to influence state program responses. But, the findings from previous research have produced very different conclusions. about the relative influence of these factors in different policy areas. In the end, we are left wondering why state governments pursue certain program activities and the role of economic conditions, federal aid, societal needs, political context, and spending commitments on various state program efforts.

Dependent Variables

One of the trickiest aspects of this analysis is to find variables that measure governmental *efforts*. In order to do so, we have to consider carefully the nature of particular programs. For highways, we use the number of employees per 10,000 state population who work on state's roads and highways. We believe this variable is a relatively straightforward indicator of a state's ability to deliver services in this policy area. Stated simply, states must employ workers if they are going to build and maintain roads (Saiz and Clarke 2008). Similarly, we use the number of employees per 10,000 state population engaged in education as one indicator of a state's ability to deliver education services. We also use the average annual salary paid to teachers in a state as a second indicator of education program effort. Taken together, we believe that these two variables capture the size (number of education employees) and quality (average teacher salary) of the workforce engaged in a state's program efforts.

In the areas of welfare and health care, we focus on program recipients. Specifically, welfare program effort is measured by taking the percentage of each state's population receiving public assistance (Fellowes and Rowe 2004; Lurie 2006). Similarly, health care effort is measured by the percentage of a state's population that is covered by its Medicaid program (Rom 2008; Kaiser Commission on Medicaid and the Uninsured 2012). States set the eligibility standards in both areas (within very broad limits established by the federal government). So, they effectively determine the scope of coverage for their own welfare and health care programs (Rom 2008). As such, the size of a state's welfare and health care recipient population reflects its program efforts in these policy areas.

Independent Variables

As mentioned earlier, we believe that five major factors affect the program efforts of state governments. We believe that three of these variables will have similar effects across all of the program areas, while the influences of the other two variables will differ according to the type of program effort under examination. Let us consider how each of the independent variables are operationalized.

Policy Priorities. The first, and most important, independent variable in this analysis is state spending priorities. The raw data for this variable consist of yearly state expenditures in nine policy areas: Corrections, education, government administration, health, highways, hospitals, parks and natural resources, law enforcement and welfare. These data represent almost the full range of substantive concerns that typically confront state governments.

We are not interested in examining how much states spend on specific programs. Instead, we want to identify how states divide up their available pool of resources. It is the *relative* allocation of money going to various programs which reveals the "weights that state policymakers give to competing policy areas" (Garand and Baudoin 2004, p. 299). In sum, these relative tradeoffs in expenditure allocations provide a clear representation of the *policy spending priorities* of state governments (Jacoby and Schneider 2001, 2009).

We use a single variable that distinguishes between different types of state policy commitments. The theoretical development for, and construction of, this variable is presented elsewhere (Jacoby and Schneider 2009). For now, it is sufficient to say that the measure is a continuous, interval-level variable which summarizes the trade-offs in state expenditures across a range of program areas. More specifically, the policy spending priorities variable distinguishes between a state's allocations to programs which benefit the neediest strata within the respective state population (welfare and health care programs) versus those which ostensibly benefit the entire society more broadly (education and highway programs).

We describe this as the distinction between "particularized benefits" and "collective" goods (Jacoby and Schneider 2001, 2009). Other scholars find the same fundamental tradeoff in the spending allocations of the American states (Sharkansky and Hofferbert 1969; Peterson 1995; Ringquist and Garand 1999; Kousser 2005) and in the actions of legislative bodies at the national level in the United States (Baron and Ferejohn 1989; Volden and Wiseman 2006) and in other countries (Huber and Stephens 2001).

The policy spending priorities variable used in this analysis measures the degree to which states emphasize one set of public programs versus another. Larger, positive values of this variable indicate a greater commitment to collective goods (education, highways, law enforcement, corrections, parks, and resources), while smaller, negative values represent greater funding for particularized benefits– welfare, health care, and hospitals. So, the policy spending priorities variable should have a positive impact on program efforts dealing with collective goods and a negative impact on program efforts that focus on particularized groups in society (i.e., health and welfare).

Political Context. We use geographic region to represent the variability in state political environments. This is operationalized as four dummy variables for northwestern, southern, western, and midwestern states, with the midwestern regional variable being used as the omitted, reference category in all analyses. We recognize that political context is a complex, multi-faceted concept (Elazar 1984; Hero 1998). No single variable effectively captures all of its components (Gray 2008). However, we believe that region can serve as a reasonable proxy for the various cultural differences that exist across the states (Erikson, Wright, and McIver 1993; Gray 2008).

State Economic Conditions. The second independent variable is gross state product (GSP) per capita. Like most other researchers, we regard this variable as an indicator of general economic well-being within a state. It signals the availability of tangible resources (Ringquist and Garand 1999; Gray 2008). And, as such, it should have an impact on the state’s ability to perform *any* kind of policy-related activities: Wealthier states should exhibit more pronounced program efforts, regardless of policy area.

Federal aid. The third independent variable consists of policy-specific federal assistance (measured on a per capita basis). The specific grants vary across policy areas. For example, federal aid for state highway programs comes primarily from the Highway Trust Fund, the U.S. Department of Transportation. Federal grants for state welfare benefits are distributed through the Administration for Children in the U.S. Department of Health and Human Services. Federal transfers to state education services come from the Office of Elementary and Secondary Education in the U.S. Department of Education. And, federal assistance to health care is distributed from the Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services. In each policy area, federal grants-in-aid provide supplemental financing for state activities — i.e., funds generated from sources other than state revenues (Hanson 1999, 2004). Therefore, they must be considered as separate contributions to, and influences on, state program efforts (Peterson 1995). Larger amounts of federal aid should lead to stronger state program efforts in all four policy areas.

Societal needs. Fourth, state governmental decision-makers are presumably attentive to their constituents (Key 1949; Erikson, Wright, and McIver 1993). Therefore, program efforts should be adjusted according to state needs. The specific types of "need" vary from one policy area to the next. In the area of education, the variable measuring state need is the number of children, expressed as a percentage of the total state's resident population. For health care, we use the infant mortality rate (the number of infant deaths per 1,000 live births). The state need variable for highways is the percentage of roads in poor condition. And, for welfare, the state poverty rate signals the need for public assistance. In each case, greater state need should produce stronger program efforts.

It is important to mention several factors that are *not* included among our independent variables predicting program efforts: public opinion, citizen ideology; legislative partisanship; gubernatorial partisanship; elite ideology; and interest group activities, density, or strength. In previous research (Jacoby and Schneider 2001; Schneider and Jacoby 2006), we tested for their effects on state policy priorities. We found that two of these variables– public opinion and interest group activity– have strong, consistent influences on the policy priorities of state governments. We do not include these other political variables in the models under examination in this paper because we do not believe that they have direct effects on program efforts once priorities are taken into account. Moreover, we believe the policy spending priorities variable effectively captures the indirect effects of other important state political characteristics.

We are cognizant of the tremendous economic turmoil that state governments have experienced over the last decade. So, in order to see how this might affect state program efforts we examine the model during two time periods, representing sharply contrasting economic conditions. First, we examine the model during 2004 and 2005 when the states are doing quite well economically– i.e., unemployment rates are low, tax revenues are strong, etc. For this time period, all of the independent variables are from 2004 and the program effort variables are from 2005. Then, we examine the same process during 2009 and 2010 to capture the most recent recessionary era: In this second time period, the independent variables are from 2009 and the program effort variables from 2010. The data sources for all of the variables used in our analysis during both time periods are provided in the Appendix.

EMPIRICAL ANALYSIS

Within each of the four policy areas, we use ordinary least squares to estimate the respective independent variables' effects on state program efforts. The main empirical results are presented in Tables 1 through 4. Overall, the regression equations fit the data quite well, with R^2 values ranging from 0.77 (for the highway model in 2005) to 0.23 (for health care in 2010). But, there are noticeable differences across the four programs areas and across the two time periods within policy areas.

Let us begin by looking at the regression results for state welfare program efforts which are presented in Table 1. Overall, our model provides a fairly good account of the variability in state TANF coverage in both time periods, but the model does a slightly better job of explaining welfare program efforts in 2010 (R^2 of 0.37)compared to 2005 (R^2 of 0.47). However, the most prominent feature in Table 1 is the consistently strong effect of state spending priorities on state-level efforts to provide cash assistance to needy populations in both models. Recall that smaller values of the priorities variable correspond to greater spending on benefits that go to particular groups in society. As expected, this variable has a strong, negative impact on state welfare program efforts in both 2005 and 2010: States which allocate a higher percentage of their spending toward particular groups in society cover larger percentages of their population in their welfare, cash-assistance programs. This lends support to our basic argument that the spending commitments of state policy-makers have a strong, predictable effect on subject program developments in this policy area.

Federal assistance also has a noticeable impact on welfare program efforts, but only in the later time period. States that receive greater amounts of federal financial aid for welfare, cover a higher percentage of citizens in their TANF programs in 2010. However, federal assistance has no discernible impact on state welfare efforts in 2005. The results for federal aid are particularly interesting because, as we have shown elsewhere (Jacoby and Schneider 2001), federal assistance has no effect whatsoever on the establishment of state spending priorities. Hence, it represents an external factor (either a resource available to or a pressure upon) that can influence state governments to expand their coverage of low-income populations (Hanson 1999). And, it’s role in this process is particularly critical when states experience severe economic difficulties, as they did during the end of the last decade.

There are also regional effects on welfare program efforts in both time periods. In 2005, these results are consistent with the conventional wisdom about geographic variability in the state-level welfare activities (Elazar 1984; Gray 2008): As expected, southern states provide lower percentages of their populations with TANF benefits during the earlier time period. However, the regional effects on welfare coverage in 2010 are contrary to what we would expect: Northeastern states have smaller percentages of their populations and western states have more on cash assistance. Initially, these results are surprising. But, they are probably a manifestation of the strong effects that both federal aid and state spending priorities have on this process in 2010. Indeed, further analysis indicates that there is an interaction between federal aid and state spending allocations across different regions of the country which in turn affects state-level coverage of welfare benefits.

The coefficients for general economic conditions and societal need are weak, inconsistent, and/or contrary to expectations in the welfare model. In both time periods, the coefficient for gross state product per capita is small and it does not achieve statistical significant. Similarly, the size of the state's population in poverty has no discernible impact on its welfare program efforts. Given the focus and structure of the current welfare system (i.e., the emphasis on promoting work and reducing dependency), these results are not terribly surprising. Program activities in this policy area are heavily influenced by existing state policy commitments– measured by state spending priorities– and by the amount of federal assistance distributed to the states– designed to promote work-related activities for TANF recipients and to reduce welfare caseloads (Haskins 2006). These forces may be playing a major role in determining state-level efforts to expand or constrict the scope of their welfare programs, diminishing the influence of economic resources and socioeconomic conditions within the states.

The results for the next policy area– health care– are presented in Table 2. Unlike the situation with welfare, the regression equations provide a better explanation of state health care program efforts in the earlier time period compared to the latter recessionary era: The R^2 value for the model is 0.53 in 2005 and 0.23 in 2010. But, once again, there are several consistent findings across these two time periods. Gross domestic product per capita and infant mortality rates have virtually no discernible impacts on health program efforts at the state level. Contrary to prior expectations, economic resources and societal need do not appear to be driving state-level expansions of health care coverage.

Similar to the situation with welfare efforts, the health care process is heavily determined by one factor: Policy spending priorities. States that allocate more resources towards programs designed to benefit particular groups in society cover larger percentages of their population in their public health care programs. This relationship holds up during relatively good economic times (as evidenced in the empirical results for 2005), as well as when there are sharp downturns in the in the economy (seen in the results for 2010).

Indeed, in the latter 2010 recessionary time period, state spending priorities are the only significant influence on state health care program efforts. Whereas in 2005, federal assistance for health care and regional differences also have noticeable effects on state-level health care program coverage. These results suggest that the process underlying the provision of health care across the Americans states may be changing: Other factors– i.e., pressures to focus on certain types of health care problems and/or specific subgroups of the population– may be shaping the scope and content of state health care policies (Klees, Wolfe, and Curtis 2010; Volden 2006).

Table 3 shows the empirical results for the highway program area. Once again, we see some differences in this process across the two time periods: The overall explanatory power of the model is slightly higher in 2010 compared to 2005, while state economic wealth has a positive and significant effect on the size of a state's highway workforce in 2005 but not in 2010. However, the most prominent feature of this table pertains to the role of federal highway aid. States that receive greater amounts of federal financial aid for highway construction and repair hire far greater numbers of highway workers per capita, regardless of the general economic climate confronting them. This relationship varies somewhat by region (i.e., western states have few highway workers per capita than midwestern states), but it is virtually unaffected by. state economic resources (gross domestic product per capita), societal need (percentage of roads in poor or unsatisfactory condition), or state spending allocations (policy spending priorities toward collective versus particularized benefits). Federal money is the driving force behind state highway program efforts. This relationship holds up at different points in time and it outweighs the effect of other factors.

The last set of results provides insights into the influences on state-level education program efforts. Here, we examine two different indicators of state education programs: The number of employees per 10,000 state population employed in education and the average annual salary paid to teachers in each state. The empirical results for these two measures of state education program efforts are presented in Tables 4 and 5, respectively. Our general model provides good explanations for both indicators of state education program efforts, with slightly better fits during the 2005 time period in each case.

But, it is also clear from these results, that the factors affecting the size of a state's education workforce are not the same as those that determine average salaries paid to teachers. The results in Table 4 indicate that societal need– measured by the number of children as a percentage of the state's total resident population– has a strong, positive, impact on the number of teachers per capita in both time periods under examination. And, in 2005, societal need has an overriding impact on state education program efforts. In fact, only one other variable– the variable capturing regional differences, has a coefficient significantly different from zero during this earlier time period. In 2010, state spending priorities– as well as geographic variability and societal need, also has a strong, reasonable effect on this indicator of education program effort. States which spend more on collective goods (i.e., those with larger values on the spending priorities variable) have more teachers per capita.

Interestingly, the results in Table 5 reveal that a different set of factors influences average teacher salaries across the states. Here, the number of children as a percentage of a state's population has no discernible effect on the average salaries paid to teachers. Instead, state economic resources, state spending priorities, and regional differences have strong, significant effects on the salaries of teachers. Wealthier states (i.e., those with higher gross state products) are able to pay teachers more money. Similarly, states which allocate a greater percentage of their spending toward particular groups within the population are also more inclined to increase salaries for teachers– an easily identifiable, group within a state. And, states in the Northeast region of the country do have higher average teacher salaries– which conforms to one would suspect given the conventional wisdom about the generosity of Northern states compared to states in other regions of the country. Overall, the results in Table 5 showing the influences on average teacher salaries are consistent with previous state politics research: They highlight the role of economic resources in shaping state policy outcomes, the geographic variability of state policy responses, and the important distinctions that exist between different types of state policy spending commitments.

CONCLUSIONS

The most general interpretation to be drawn from this analysis is that state policy efforts are determined on a rational basis. Across the four areas, state spending commitments, the resources provided by the federal government, and geographic location have strong impacts on state-level program efforts. State need and state wealth also affect program activities, but to a much lesser extent and in a more inconsistent manner across the four policy areas.

These influences are all very reasonable. Spending priorities represent the institutional commitments of state governmental decision makers (Jacoby and Schneider 2001, 2009). Federal assistance confirms the vital importance of intergovernmental relations in shaping state policy activities (Nice and Frederickson 1995; Nice 1998; Hanson 2004). Geographic diversity captures the variability in political cultures across the nation (Elazar 1984; Garreau 1991; Erikson, Wright, and McIver 1993; Gray 2008). State need verifies governmental responsiveness to the problems that exist within their respective jurisdictions (Erikson, Wright, and McIver 1993). Hence, governmental efforts seems to be influenced by precisely those factors that are supposed to affect subnational governments in a democratic, federal system.

Yet, as we have shown, these factors do not operate in precisely the same way in different program areas. State-level TANF and Medicaid program coverage is strongly influenced by state spending allocations, while state employment of highway workers is almost totally affected by the amount of federal highway aid distributed to the states. State wealth has a strong impact on average salaries paid to teachers, but the size of the school-age population is a major influence on the number of teachers employed within a state.

Broader economic conditions also appear to be influencing this process. Four of the models provide stronger explanations of program efforts during the earlier 2005 time period when the U.S. economy was fairly strong. Only the model looking at state TANF program coverage improves in the 2010 time frame during a period of severe economic distress and recessionary conditions. It is perhaps not surprising that the policy most affected by general economic cycles is welfare– precisely the program which targets low-income families who can not keep up with changing economic circumstances.

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

Our study provides an alternative interpretation. As Richard I. Hofferbert pointed out many years ago, the earlier null findings were due primarily to the crudeness of the measures— particularly the expenditure variables— that were employed (1974). More recent work has followed this lead and recognized the importance of spending tradeoffs rather than absolute dollar figures (Garand 1985, 1988; Garand and Hendrick 1991; Ringquist and Garand 1999; Garand and Baudoin 2004). Our work proceeds further in this same direction because the policy priorities scale we employ provides a powerful, parsimonious measure of relative state expenditures across *all* significant areas of state governmental activity (Jacoby and Schneider 2001). And, as we have shown in this analysis, policy priorities do have an effect on the actual actions that governments take in order to address social problems and citizen needs.

As Jacoby and Schneider (2001, 2009; Schneider and Jacoby 2006) have demonstrated elsewhere, policy priorities are almost entirely shaped by political factors. More specifically, they are the product of public opinion and interest group activity across the states (Wright, Erikson, and McIver 1987; Gray and Lowery 1988, 1993). This finding coincides very nicely with the major thrust of research on the political implications of agenda-building (Kingdon 1995; Baumgartner and Jones 1993). Political conflict centers on which issues government should address in the first place. The policy priorities variable captures precisely this feature by identifying the relative tradeoffs or weights assigned to a range of public policies. Thus, we argue that the institutional agenda— operationalized by the spending priorities scale— is an explicitly political influence on program efforts. So, our major conclusion is straightforward: Policy activity within the American states is not only based upon rational considerations; it is also the culmination of a process that is largely political in nature.

APPENDIX

Data Sources for Independent Variables:

Percentage of a state's population covered by Medicaid, 2004 and 2009. *Statistical Abstract of the United States*. U.S. Census Bureau (2006 and 2012).

Spending Priorities. The original data for this variable were obtained from *State Government Finances*, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, 2004 and 2009. The precise construction of the spending priorities measure is explained in Jacoby and Schneider (2009).

Gross state product, 2004 and 2009. Data come from the *Statistical Abstract of the United States.* U.S. Census Bureau (2006, 2011).

State poverty rate, 2004 and 2009. *Statistical Abstract of the United States.* U.S. Census Bureau. (2006, 2011).

State infant morality rate, 2004 and 2009. *Infant Mortality Statistics.* U.S. Department of Health and Human Services, National Vital Statistics System (2006, 2012).

Number of children as a percentage of the total state's resident population, 2004 and 2009. *Statistical Abstract of the United States.* U.S. Census Bureau (2006, 2012).

Percentage of interstate highways in poor condition, 2004 and 2009. *CQ's State Fact Finder* (Hovey 2006) and *CQ's State Rankings 2010, 2011* (Morgan and Morgan 2010, 2011).

Federal aid to the states for education, health, welfare, and highways, 2004 and 2009. *Federal Aid to States for Fiscal Year 2004, 2009.* (U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, 2005 and 2010).

APPENDIX
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Data Sources fo Dependent Variables:

Number of employees per 10,000 state population who work on state's roads and highways, 2005 and 2010. *Statistical Abstract of the United States* (2006, 2012).

Number of employees per 10,000 state population engaged in education, 2005 and 2010. *Statistical Abstract of the United States* (2006, 2012) and *Education State Rankings 2011-2012* (Morgan and Morgan 2012)..

Average annual salaries paid to teachers in a state, 2005 and 2010. *Rankings of the States 2004 and Estimates of School Statistics 2005* and *Ranking of the States* 2010 *and Estimates of School Statistics 2011*. National Education Association (2005, 2011), and *Education State Rankings 2011-2012* (Morgan and Morgan 2012)..

Percentage of each state's population receiving public assistance in 2005 and 2010. *Statistical Abstract of the United States* (2006, 2012).

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Table 1: Influences on State Welfare Program Efforts in 2005 and 2010

	Percentage of state population receiving public assistance	
	2005	**2010**
State policy spending priorities	-6.571 2.124	-28.662 (6.652)
Northeast region	-0.337 (0.336)	-2.338 (1.132)
Southern region	-0.590 (0.258)	0.498 (1.002)
Western region	0.179 (0.261)	1.753 (0.89)
Gross state product per capita	0.047 (0.148)	-0.051 (0.036)
Federal aid to welfare	0.001 (0.002)	0.026 (0.008)
State poverty rate	0.043 (0.044)	-0.206 (0.162
Intercept	0.615	4.126
R^2	0.369	0.468

Note Table entries are OLS regression coefficients, with standard errors shown in parentheses. The number of observations is 50 for each year.

Table 2: Influences on State Health Care Program Efforts in 2005 and 2010

	Percentage of state population receiving Medicaid	
	2005	**2010**
State policy spending priorities	-40.527 10.113	-39.742 (15.242)
Northeast region	0.968 (1.854)	-2..008 (2.755)
Southern region	2.841 (1.332)	1.183 (2.173)
Western region	3.579 (1.399)	0.883 (2.211)
Gross state product per capita	-0.001 (0.001)	-0.014 (0.091)
Federal aid to health care	0.002 (0.001)	0.028 (0.061)
State infant mortality rate	0.651 (0.492)	0.715 (0.815)
Intercept	8.982	12.124
R^2	0.531	0.226

Note Table entries are OLS regression coefficients, with standard errors shown in parentheses. The number of observations is 50 for each year.

Table 3: Influences on State Highway Program Efforts in 2005 and 2010

	Number of highway workers per 10,000 state population	
	2005	**2010**
State policy spending priorities	2.226 1.575	-0.333 (1.877)
Northeast region	0.053 (0.252)	0.052 (0.266)
Southern region	-0.251 (0.186)	0.001 (0.205)
Western region	-0.581 (0.205)	-0.211 (0.222)
Gross state product per capita	-0.000 (0.001)	-0.012 (0.007)
Federal aid to highways	0.008 (0.001)	0.008 (0.001)
Percentage of roads in poor condition	0.015 (0.015)	0.005 (0.007)
Intercept	1.699	0.274
R^2	0.769	0.705

Note Table entries are OLS regression coefficients, with standard errors shown in parentheses. The number of observations is 50 for each year.

Table 4: Influences on Education Program Efforts– Teacher Salaries in 2005 and 2010

	Average state teacher salaries	
	2005	**2010**
State policy spending priorities	-35302.79 (14480.60)	-45381.81 (19691.97)
Northeast region	2160.534 (2473.482)	7897.976 (3321.399)
Southern region	-1797.364 (1787.491)	611.036 (2618.169)
Western region	1973.364 (1952.525)	3630.643 (2779.321)
Gross state product per capita	0.526 (0.0966)	260.300 (94.823)
Federal aid to education	-16.512 (14.295)	10.010 (25.004)
Children as percentage of total state population	-5725.943 (5596.044)	27047.27 (83483.18)
Intercept	25562.64	31256.88
R^2	0.593	0.407

Note Table entries are OLS regression coefficients, with standard errors shown in parentheses. The number of observations is 50 for each year.

Table 5: Influences on Education Program Efforts– Education Employees

	Number of education employees per 10,000 state population	
	2005	**2010**
State policy spending priorities	7.133 (6.296)	11.920 (2.757)
Northeast region	1.597 (1.075)	2.757 (0.785)
Southern region	0.415 (0.777)	0.501 (0.621)
Western region	-2.554 (0.848)	-2.273 (0.657)
Gross state product per capita	-0.00002 (0.006)	0.027 (0.022)
Federal aid to education	0.010 (0.010)	0.007 (0.005)
Children as percentage of total state population	64.926 (2.433)	43.449 (19.746)
Intercept	-0.138	3.629
R^2	0.7490	0.445

Note Table entries are OLS regression coefficients, with standard errors shown in parentheses. The number of observations is 50 for each year.