

States' Acceptance of Federal Stimulus Funds: "It's the Politics Stupid"

Edward Alan Miller, Ph.D., M.P.A.¹

Associate Professor of Gerontology and Public Policy, McCormack Graduate School of Policy Studies, and Fellow, Gerontology Institute, University of Massachusetts Boston

David Blanding, M.A.²

Doctoral Candidate, Department of Political Science, Brown University

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¹Department of Gerontology, McCormack Graduate School of Policy Studies, University of Massachusetts Boston, 100 Morrissey Blvd., Boston, MA 02125, Phone: 617-287-7313, Fax: (617) 287-7080, Edward.Miller@umb.edu

²Department of Political Science, Brown University, Box 1844, 36 Prospect Street, Providence, RI 02912. Phone: (401) 863-2825, Fax: (401) 863-7018, David_Blanding@brown.edu

ABSTRACT

On February 17, 2009, President Obama signed the landmark American Reinvestment and Recovery Act (ARRA) into law. Known colloquially as the “economic stimulus package,” the \$787 billion legislation is the largest single expenditure of federal dollars in U.S. history. A large proportion of ARRA spending consists of fiscal relief aimed at stabilizing state and local budgets, preventing massive job losses, and encouraging innovative policy making, particularly in education, health care, and transportation infrastructure development. State governments had to certify acceptance of ARRA funds within 45 days of the law’s enactment. This could entail certification by a state’s governor or by concurrent resolution by a state legislature. All fifty state governors eventually certified acceptance, but with dramatic variation in celerity. The average time to acceptance was 21.6 days, with some states accepting the day the Act was signed (Michigan), others waiting until the window of opportunity for doing so had almost closed (South Carolina). The purpose of this study is to use ordinary least squares regression to model the number of days states spent deliberating ratification. Factors considered include partisan orientation, programmatic spending, fiscal health, gubernatorial power, and legislative professionalism. Results indicate that states with Democratic governors spent significantly less time deliberating certification—7 days, on average—than states with Republican governors. They also indicate that states with comparatively greater highway funding per capita spent more time considering whether to certify. That states budgeting less toward highways expedited certification suggests that incentives for infrastructure development proved attractive for those states previously investing less in this area. That Republican governors were more likely to delay certification suggests that partisan considerations were systematic, extending well beyond the few high profile cases—including Alaska, Louisiana, and South Carolina—reported in the media. Time to certification of ARRA funds on the part of state governments illustrates the simultaneous role that both economic self-interest and partisanship can play in federal-state relations.

INTRODUCTION

On February 17, 2009, President Obama signed the landmark American Reinvestment and Recovery Act (ARRA) into law, authorizing expenditures in an array of programmatic areas. At \$770 billion, the ARRA represented the largest single expenditure of federal dollars in U.S. history. Funds were allocated to such areas as education, health care, highways, and housing in order to stabilize state and local budgets, prevent massive job losses, reduce home foreclosures, assist the unemployed, and encourage innovative policy making (Dodaro 2009; The White House 2009). The Congressional Budget Office (CBO) projected that the “economic stimulus package,” as the ARRA is colloquially known, would save or generate between 1.2 and 3.6 million jobs and spur a 1.1 to 1.3% increase in GDP (Ellmendorf 2009). Because the ARRA is a highly visible policy that directs significant federal funding to the states, it provides an excellent opportunity with which to study the broad patterns of federal-state relations, both with respect to state implementation of federal statutory requirements and the effects of those requirements on state policy making more generally. It also provide an excellent opportunity to identify those factors that influence states’ immediate responsiveness to federal grant-in-aid programs in “real time” during periods of crisis characterized by unprecedented levels of spending and oversight.

The ARRA is unique in several ways. First, it was enacted in the midst of the worst economic crisis since the Great Depression. By the time the law was passed, the federal government faced a nearly \$1 trillion budget deficit, and all but three states faced critical budget deficits of their own (Johnson, Oliff, and Koulish 2009). Indeed, increased demand for public programs combined with declining tax revenues to produce projected

state budget deficits through the 2011 fiscal year in the \$350 billion range (McNichol and Lav 2009).

Second, the ARRA represents a level of programmatic breadth and fiscal magnitude rarely observed. Other major pieces of federal legislation such as the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, 2001 No Child Left Behind Act, and even the 2010 Patient Protection and Affordable Care Act, do not approach in magnitude the ARRA's short term infusion of federal money into state coffers.

Third, the ARRA required written approval from states before money could be disbursed to them. Within 45 days of enactment governors had to certify their intention to request and use funds provided under the Act to create jobs and promote economic growth. Furthermore, state legislatures could have certified a state's intention to use any funds not accepted for use by the governor. Allowing states a brief window to deliberate over accepting the money fundamentally influenced their decision about whether or not to enter into a veritable contract with the federal government. Again, such arrangements are rare in federal policy making. While state participation in Medicaid is voluntary, for example, no timeline was imposed by the federal government to influence state decision making in this regard. Thus, although Medicaid was established in 1965, the last state—Arizona—did not elect to create a program until 1982.

Fourth, most provisions in the ARRA take advantage of existing federal programs, though others create new programs, distributing funding to states competitively. The ARRA provides health information technology (HIT) funding, for example, which, in addition to other provisions, includes Medicaid payment incentives

and new state planning and competitive grants to spur electronic health record implementation. The ARRA also relies on existing programs to preclude cutbacks in state and local education budgets, in addition to directing federal dollars toward the “Race to the Top” program to spur the development of innovative educational projects consonant with the Obama administration’s policy objectives. Competitive grants are important not only because they provide the Obama administration with an opportunity to influence state policy directions but also because, by allowing states to pursue radically new policies, they promote innovation.

Notwithstanding its idiosyncrasies, the ARRA is a worthy case study of federalism. The ARRA falls within the area of comparative state policy scholarship interested in understanding state responses to federal policy changes (Allen, Petus, and Haider-Markel 2004; Chubb 1985; Derthick 1970; Grogan 1999; Miller 2006, 2008, 2009a, 2009b; Miller and Banaszak 2005; Sunderman and Orfield 2006; Welch and Thompson 1980). However, there has been little systematic research on state responses to the kind of policies that emerge in the macro-political and -economic context within which the decision to accept or reject ARRA funding arose. Consequently, it remains to be seen how these circumstances might condition state policymaking. Our focus on the ARRA allows for just such an examination.

Prior research suggests that internal factors such as fiscal health, administrative capacity, gubernatorial power, legislative professionalism, partisan control of government, programmatic spending, and ideology shape state policy making (Berry and Berry 1990, 2007; Beyle 1988; Beyle and Ferguson 2008; Erikson, Wright, and McKiver 1993; Grogan 1994, 1999; Miller 2004, 2005, 2006; Miller and Wang 2009a, 2009b;

Mintrom and Vergari 1998; Pavalko 1989). However, it is not clear from prior research how these variables influence state decision making when the broader, contextual conditions surrounding the ARRA are manifest. In this paper, we account for differences in the length of time states deliberated about acceptance of ARRA funds. We find that the nature of state responsiveness to federal policy change under these conditions depends in part on the economic self-interest of the states and the partisanship of their leaders. This is reflected in the findings that states with higher prior highway expenditures took more time to deliberate, and states with Democratic governors took less time to deliberate. That states budgeting less toward highways expedited certification suggests that incentives for infrastructure development proved attractive for those states previously investing less in this area. That Republican governors were more likely to delay certification suggests that partisan considerations were systematic, extending well beyond the few high profile cases reported in the media. Time to certification of ARRA funds on the part of state governments illustrates the simultaneous role that both economic self-interest and partisanship can play in federal-state relations.

THE AMERICAN RECOVERY AND REINVESTMENT ACT & THE STATES

The ARRA was passed amidst immense financial turmoil. The national unemployment rate had risen from 5.2% in February 2008 to 8.1% in February 2009 (Bureau of Labor Statistics 2009). In some states, the unemployment rate was considerably higher: in the four states with the highest unemployment—Michigan South Carolina, California, and Rhode Island—over 10% of the labor force was unemployed (Pepitone 2009). Furthermore, thousands of Americans lost their homes to foreclosure (Christie 2009), new residential construction languished (Healy 2009), and housing prices

continued to fall nationwide (Hong 2009). Alone, the fourth quarter of 2008 witnessed a 6.2 percent decrease in Gross Domestic Product, the largest decline in more than 25 years (Gravelle, Hungerford, and Labonte 2009). Together with increasingly tighter restrictions on available credit and widespread volatility in the financial markets, increasing unemployment, declining GDP, and bursting of the housing bubble spurred action on the part of federal officials.

The nation's financial straits reverberated across nearly all states and policy arenas. To preempt and minimize the extensive budget cuts necessitated by the recession, the ARRA allocated funds to the most vulnerable policy sectors, including education, health care, and transportation. Education-related funds represented about \$115 billion or 15.0% of ARRA expenditures. These were disbursed through discretionary block grants and special-purpose grants funded through Title I of the Elementary and Secondary Education Act, the Individual and Disabilities Education Act, the Federal Work Study program, and other initiatives. Additionally, the ARRA pledged to disseminate a total of \$4.35 billion through the competitive "Race to the Top" program to local education agencies that made progress toward five education policy objectives: (1) developing rigorous college- and career-preparatory curricula and assessments; (2) upgrading technology to improve data collection; (3) improving teacher quality and distributing qualified teachers more equitably; (4) revamping underperforming schools; and (5) raising overall student achievement (U.S. Department of Education 2009a, 2009b, 2009c).

In healthcare, the ARRA provided states with \$87 billion in enhanced Medicaid funding (Lav, et al. 2009). The enhancement was based on the Federal Medical

Assistance Percentage, or FMAP, which is inversely related to state per capita income and ranges from 50.0% to 76.0%. The ARRA increased each state's FMAP during a 27-month period (October 2008 through December 2010), with larger enhancements in those states experiencing high increases in unemployment. Other provisions aimed at bolstering access to health insurance included subsidizing 65.0% of COBRA coverage for those who lose their jobs (\$25.0 billion). They also included extending the transitional medical assistance program while permitting states to remove bureaucratic hurdles inhibiting enrollment (Lueck 2009). Additionally, the ARRA directed \$19.0 billion to aid state and federal efforts to modernize the nation's health information technology infrastructure.

Transportation was heavily funded by the ARRA as well. The primary goal was to offset the costs and losses transportation agencies had incurred as a result of a collapsing credit market and substantial losses of capital. If possible, the law also aimed to spur new public transit construction. The U.S. Department of Transportation (2009a) identified four specific goals: (1) promote economic recovery and growth; (2) improve the safety of transportation facilities and systems; (3) improve the sustainability of transportation systems; and (4) support livable communities. To these ends, \$48.1 billion was designated for transportation-related projects in the states. Of that sum, \$36.6 billion was to be delivered directly to states and \$11.5 billion was to be delivered indirectly through the U.S. Department of Transportation. The majority of ARRA transportation funds were allocated for highway-related projects through the Highway Infrastructure Investments program; the remainder was divided among other transportation modalities (Figure 1).³

³ The U.S. Department of Transportation later committed ARRA funds to construction projects as varied as the expansion of the I-94 in Kalamazoo, Michigan and the Central Phoenix/East Valley Light Rail (Department of Transportation 2009b).

[Figure 1 about Here]

PARTISANSHIP, ECONOMIC SELF-INTEREST AND DELIBERATION

Because of the political and economic circumstances surrounding the ARRA, we expect that many typical correlates of state policy making were relevant to state deliberations about certification, though the ARRA is neither a federal mandate nor a state policy change in the conventional sense. Because it required certification from states, the ARRA was not imposed in the way that federal policies typically are. Instead, the ARRA represents a sort of contract between the federal and state governments: states could choose to accept all or only some of the non-competitive money allotted them. The certification proviso afforded states a degree of agency they do not frequently enjoy.

The inherent attractiveness of the ARRA could only have been amplified by the incentives built into the law. The ARRA allocated a baseline level of funds to each state in each policy sector, but states and localities could also obtain grants through competitive programs like “Race to the Top,” the “Health Information Technology Implementation for Health Center Controlled Networks” initiative, and the “2008 Aquaculture Grant Program.” Of course, intergovernmental incentives are not new: from Medicaid to No Child Left Behind, the federal government has often used incentives to steer state policymaking toward federal objectives (Sunderman and Orfield 2006; Welch and Thompson 1980). However, research suggests that states are more amenable to incentive-based federal policies than to federal mandates (Albritton 1989; Grogan 1999). In this case, whatever reservations state officials might otherwise have had about the ARRA were likely outweighed by the immense financial benefits that state governments stood to reap from it.

On the other hand, acceptance of ARRA money was not purely voluntarily. The certification proviso may have made the ARRA a choice—*stricto sensu*—but the environment in which states deliberated certification was, arguably, its own form of coercion. With unemployment rates at an all-time high and crippling budget deficits on the horizon, rejecting federal stimulus money would have been difficult to justify economically. For some state politicians, however, endorsing the bill might nonetheless backfire: if the promises of the Obama administration to generate jobs through the ARRA bore no fruit, states might not only face greater deficits in the future when federal stimulus money expired, but state leaders might lose voter confidence for failing to address the matter effectively, let alone doing so themselves. Thus, notwithstanding the certification proviso, the ARRA may have represented a veritable Hobson's choice for state officials.

Given the unusual combination of national economic and political circumstances surrounding the ARRA, we expect the timing of certification to depend largely on internal state dynamics. In particular, the celerity with which states certified their intent to use ARRA funds should have been a function of factors indicative of states' political and economic circumstances, such as partisanship; previous programmatic spending; administrative capacity; gubernatorial power; legislative professionalism; and fiscal health. Programmatic expenditures and partisanship should be especially strong predictors of the time states spent considering certification of the ARRA, as these variables tap into the major economic and political considerations bearing upon the deliberative process.

Economic Self-Interest

The first such consideration was *economic self-interest*. As it stripped state governments of much needed tax revenue, the economic recession compelled state officials to re-evaluate their spending priorities. Unlike the federal government, states must balance their budgets, but the most efficient means of doing so were either politically infeasible or impracticable: broad-based tax increases were anathema and many states' rainy day funds had yet to be replenished after the last recession. States therefore sought to address their deficits largely through reductions in spending. In education, the economic downturn prompted many states to enact substantial budget cuts, including eliminating arts programs; laying off teachers; eliminating early education programs; cutting funding for elementary, middle, and secondary education; and raising tuition at public colleges and universities (Johnson, Oliff, and Koulish 2008, 2009). In health care, states were forced to consider forgoing Medicaid program improvements and expansions in favor of restrictions on eligibility, benefits, and payments just as the demand for coverage accelerated with the rising rate of unemployment (Smith, et al. 2009). And in the area of transportation infrastructure, many state and regional transit authorities proposed significant service cuts, fee increases, or halts to new transit-related construction (Johnson, Oliff, and Koulish 2009). Together programmatic pressures such as these suggest the following hypothesis:

Hypothesis 1 (Economic Self-Interest): *The speed of state deliberations over accepting ARRA funds should have been a function of state expenditures in the programmatic areas emphasized by the ARRA, all else being equal.*

The direction of the relationship between spending on the programmatic priorities of the ARRA and days spent deliberating is ambiguous, however. In attempting to

maximize their economic self-interest, states may have responded to the ARRA's emphasis on education, health care, and transportation infrastructure in ways that either facilitated or inhibited deliberation. Economic self interest may have yielded shorter deliberations among states spending more in the areas affected by the ARRA if state officials interpreted their economic self-interest in terms of continuing to meet state obligations in previously well funded areas. By contrast, economic self-interest may have yielded longer deliberations among states spending more in areas affected by the ARRA if states officials interpreted their economic self-interest in terms of opportunities to make greater investments in previously neglected areas. This suggests two sub-hypotheses:

Hypothesis 1.a. (Facilitation): *There should have been an inverse relationship between previous state investments in the programmatic areas emphasized by the ARRA and the length of time states spent deliberating accepting ARRA funds.*

Hypothesis 1.b. (Inhibition): *There should have been a direct relationship between previous state investments in the programmatic areas emphasized by the ARRA and the length of time states spent deliberating accepting ARRA funds.*

Version 1.a. suggests that states could maximize their economic self-interest by catering to their needs in the programmatic areas prioritized by the ARRA. States with greater prior public spending in the ARRA's programmatic priority areas would suffer greater consequences without stimulus money; consequently, they should have approached deliberation with proportionately greater earnestness. Insofar as the law was designed to minimize state spending cuts or enable states to sustain prior levels of

spending, it created a strong impetus for speedy ratification; accepting stimulus money would have preempted many if not all of the drastic spending reductions states were prepared to make in order to avoid shutdowns of their governments. It also is likely that states accustomed to spending more heavily in the ARRA's priority sectors would have been better able to identify their needs than states spending less, thereby accelerating recognition that certification was necessary. Conversely, states accustomed to spending less in the ARRA's priority sectors would have been facing less drastic spending reductions, thereby providing less of an impetus to ratify quickly. They also would have had less experience with which to identify their needs in these areas, thereby decelerating deliberation even further.

Consider transportation. The Obama administration regarded infrastructure development as key to the nation's economic recovery, and emphasized transit infrastructure as a primary directive of the ARRA. The President expressed the government's intent to funnel money to states with "shovel ready" projects, meaning those for which prior administrative work, planning, and public outreach had already been conducted and to which laborers could be immediately deployed (Schouten 2008). Connecticut, which had the greatest per capita highway expenditures in 2007, began identifying "shovel ready" infrastructure projects months before the ARRA was passed (Haigh 2008) and needed only 11 days to decide to certify the law. As the nation's preeminent investor in a prominent ARRA area, Connecticut may have avoided lengthy deliberation by being in a position to identify its highway needs sooner.

Version 1.b. suggests states that had already been spending significantly on the programmatic priorities of the ARRA may have felt *less* need for corresponding stimulus

dollars, and thus less impetus to certify quickly. For them, the money allotted for education, Medicaid, and highways may have seemed almost superfluous (though one might presume that additional federal dollars would have enabled the reallocation of state investments elsewhere). With the benefits of federal money less obvious to them, states that were already spending heavily in the areas emphasized by the ARRA might have devoted more time to ascertaining the value of the law. Conversely, states accustomed to spending less on education, Medicaid, and transportation may have regarded the ARRA as an invitation to increase spending in these sectors. For example, even though Maryland ranked 31st in spending on highways as of 2007, it was among the first to begin identifying “shovel ready” infrastructure projects (Warren 2008). The prospect of indulging “new” programmatic arenas may have enticed states such as Maryland that had not invested heavily in one or more of the ARRA’s priority areas to certify sooner.

In sum, while there is strong reason to believe that states acted rationally as they deliberated certification, the role that economic self-interest played in states’ deliberations is uncertain. Obtaining ARRA funds for highway infrastructure development, for example, may have held as much axiomatic appeal for states like Maryland as for states like Connecticut—that is, for states that had *and* that had not invested heavily in highway infrastructure previously—but for very different reasons.

Partisan Self-Interest

The second consideration we argue shaped states’ deliberations over certification of the ARRA was *partisan self-interest*. The spiraling economy coincided with significant political changes at the national level. A Republican president had presided over the collapse of the economy; a Democratic president would now have the

opportunity to revive it. That Americans largely attributed the recession to Republicans may have given Democrats wide latitude to restructure American economic policy. This was most clearly reflected in the 2008 elections: the Republican Party was held liable for the ensuing recession, and lost several national, state, and local seats as a consequence. By contrast, Democrats could both deflect liability for the ensuing recession because they were out of power at its onset and claim credit for any improvement in the economy simply by virtue of being the party in power at the time.

Democratic and Republican governors were doubtless aware of these partisan implications. For Democratic governors, the ARRA was an opportunity to remedy perceived economic errors committed by the Bush Administration. They were in a position to claim credit for whatever positive benefits accrued from it without suffering greatly from any adverse effects the law yielded. If the stimulus succeeded in their states, Democratic governors would be in an excellent position to ride the President's coattails. If the stimulus failed, Democratic governors might nevertheless be lauded for their efforts to remedy a crisis the public largely attributed to Republicans.

On the other hand, Republican governors faced a catch-22: if they supported the ARRA and it worked, they would have to concede the comparative economic savvy of Democrats; if they supported the ARRA and it failed, they would be held equally liable; if they opposed the ARRA and it worked, they might be deemed economic neophytes unconcerned with their constituents' suffering; and if they opposed the ARRA and it failed, they might still be regarded as overly contrarian in the face of economic catastrophe.

In short, Republican governors had far more to lose than their Democratic counterparts. Furthermore, states were given so little time to deliberate that the sort of deep reflection Republican governors might otherwise have undertaken to sort out the complex political dilemma in which they found themselves was unavailable. Not surprisingly, every governor expressing reservations about accepting ARRA funds in the media was a Republican (Dewan 2009; Rucker 2009a). Together the aforementioned discussion suggests the following hypothesis:

Hypothesis 2 (Partisan Self-Interest Hypothesis): *States with Democratic governors should have spent less time deliberating certification of the ARRA than states with Republican governors.*

Control Variables

Comparative state politics scholars have identified relationships between state policy making and factors such as administrative wherewithal; fiscal capacity; fiscal health; gubernatorial power, and legislative professionalism (Berry and Berry 1990, 2007; Beyle 1993; Beyle and Ferguson 2008; Grogan 1994, 1999; Miller 2004, 2005, 2006; Miller and Wong 2009a, 2009b; Mintrom and Vergari 1998; Pavalko 1989). Thus, in addition to economic and partisan self-interest, we expect several conventional internal political and economic factors to have affected the speed with which states certified the ARRA.

Prior studies reveal a positive association between governing capacity and state decision making in a variety of areas (Berry and Berry 1990, 2007; Miller 2005, 2006; Miller and Wang 2009a). In the present case, states with greater governing capacity may have been better able to respond quickly to requirements for certification while

overcoming budgetary, political and administrative factors that might have otherwise prevented action. Three indicators of governing capacity are considered: (1) legislative bodies with greater analytical and other staff resources (Berry, Berkman, and Schneiderman 2000; Huber, Shipan, and Pfahler 2001; Miller 2006; Miller and Wang 2009a), (2) governors with greater institutional authority (Beyle 1988; Beyle and Ferguson 2008; Miller 2006), and (3) agencies with larger personnel (Barrilleaux and Miller 1988; Schneider and Jacoby 1996; Miller 2006; Miller and Wang 2009a). We expect states with stronger capacities to govern to have certified ARRA funding sooner than states with weaker capacities.

Prior studies also highlight the role of state economic and fiscal circumstances in state decision making (Berry and Berry 1990, 2007; Miller 2004, 2005). During economic downturns, states not only suffer from declining tax revenue but they also experience increased demand for government programs. Since the recession exacerbated state budget difficulties and made it difficult for states to fund services at existing levels, it may have provided a general impetus to certify ARRA funding. We expect, however, that since some states faced greater economic difficulties than others, those in worse fiscal health would have experienced even greater incentives to certify. Furthermore, since states with greater fiscal capacities are likely to have broader tax bases with which to support greater spending, we expect them to have felt less of a need to certify quickly than states lacking such capacities.

METHODS

This study models the number of days states spent deliberating ARRA certification. The state is the unit of analysis.

Dependent Variable

The dependent variable—*days spent deliberating*—more accurately reflects variation in state behavior during the ARRA certification process than other approaches. It allows us to treat February 17, 2010, the day the ARRA was signed into law, as the first possible day on which states could certify, thereby allowing us to include all 50 states in our analyses. Had we elected to begin counting days to certification on February 18 Michigan would have excluded from the dataset, erroneously implying that it never considered the law and that Texas rather than it was the first state to certify.

Explanatory Variables

To ensure that we captured the economic and political conditions bearing upon states' deliberations of the ARRA, we use the most recent data available for each variable. In every case but state unemployment and budgetary data, the most recent plausible measures for our concepts are from 2007. For the former two measures, however, 2009 data were available. Each explanatory variable was measured as follows:

Programmatic spending was measured using per capita expenditures on education, Medicaid and highways. Data derive from the Social Security Administration and the 2007 Census of Government Finance by the U.S. Bureau of the Census.

Democratic governorship was coded as a one if a state's governor was a Democratic and zero otherwise. Data derive from the National Conference of State Legislatures.

Legislative professionalism was measured as total legislative operating expenditures per state legislator in 2007. Data derive from the National Conference of State Legislatures.

Gubernatorial power was measured using Beyle's (2008) Governor's Institutional Power rating, a five-point scale that accounts for the number of separately elected executive branch officials in a state; the "tenure potential" of the governor; the governor's appointment power; the governor's budgetary power; the governor's veto power; and the degree of control the governor's party has over state government. Data derive from Beyle (2008).

Administrative capacity was measured using the number of non-educational full time equivalent state employees per 1,000 state residents. Data derive from the Annual Survey of State Governments undertaken by the U.S. Bureau of the Census.

Fiscal health is measured using both the state unemployment rate as of January 2009 and the Fiscal Year 2009 budget deficit. Data for these variables derive from the U.S. Bureau of Labor Statistics and Center for Budget and Policy Priorities, respectively (Johnson, Oliff and Koulisch 2009).

Fiscal capacity was measured using the natural log of per capita gross state product. Data derive from the U.S. Bureau of Economic Analysis.

Analysis

The analysis proceeds in several steps. First, we report descriptive statistics on all study variables. Second, we use ordinary least squares regression to examine bivariate relationships between each explanatory variable and the number of days spent deliberating certification of ARRA funding. Third, we use stepwise ordinary least squares regression to examine the correlates of ARRA certification controlling for other factors. In doing so, we lock in each of our programmatic expenditure variables so that they are treated as a group measuring our economic self-interest hypothesis. Of the other

explanatory variables, only those attaining significance at the .10 level or less remain in the final model. Because our unit of analysis is the state, we have a very limited sample size. A less parsimonious ordinary least squares model including all study variables would have exhausted the degrees of freedom available. Event history analysis (EHA) using the state-day as the unit of analysis was another possibility for our analysis. Use of EHA would have been inappropriate in this case, however; because the time frame in which states deliberated certification of the ARRA was so small, there would have been no variation over time in most, if not all, of the variables of interest.

RESULTS

Table 1 summarizes our hypotheses in light of the measurement strategies outlined. Table 2 reports descriptive statistics for all variables. Because we constructed the dependent variable to include the date on which the ARRA was passed, there were a total of 46 possible days of deliberation. Results indicate that states deliberated 21.6 days, on average, or nearly half the time allotted by the Obama administration. In all, 22 states had Republican governors; 28 had Democratic governors. Per capita programmatic spending varied considerably, up to 15 times for education, 5 times for Medicaid, and 8 times for highways.

[Tables 1 and 2 about Here]

Figure 2 reports the amount of time states spent deliberating over certification. It also highlights an apparent relationship between partisanship and time spent deliberating: in the Republican-dominated South, states spent considerably more time debating whether to certify, with South Carolina, for example, certifying on the very last possible day. Ultimately, all 50 states certified their intent to accept some ARRA funds, but they

varied widely in their time considering whether to do so, from Michigan at Day 1 to South Carolina at Day 46.

[Figure 2 about Here]

Bivariate regressions reported in Table 3 suggest that only highway expenditures and Democratic governorship were significantly related to time spent deliberating, with the former being directly related and the latter inversely so. These findings are consistent with the general proposition that prior programmatic spending and Democratic governorship would prove to be especially important determinants of state decision making in this regard. The former also supports the expectation that high levels of prior spending would inhibit (rather than promote) certification while low levels would spur it.

[Tables 3 about Here]

The stepwise multivariate regression model is reported in Table 4. Results are essentially the same as our bivariate findings. Consistent with the Partisan Self-Interest Hypothesis, states with Democratic governors spent nearly seven fewer days deliberating, on average, than states without Democratic governors, *ceteris paribus* ($b = -6.93$, $p < .05$). Consistent with version 1.b. of the Economic Self-Interest Hypothesis, states spending more per capita on highways spent more time deliberating than states spending less. Thus, for every additional \$1,000 spent on highways per capita, states spent about 14 more days, on average, deliberating ARRA certification ($b = .014$, $p < .05$).

DISCUSSION

The results from this analysis of the ARRA certification process should come as no surprise. Here, we have argued that the significance of programmatic spending and gubernatorial partisanship reflect two rational interest frames: economic self-interest and

partisan self-interest. In turn, these frames reflect the macroeconomic and macro-political environment in which the ARRA was passed and deliberated; simply put, the politics of certifying the ARRA were an epiphenomenon of the politics of the ARRA itself. The recession propelled states' monetary needs to the fore of the deliberative process, and the advent of a new president whose ideological commitments and partisan affiliation conflicted with those of his predecessor brought partisanship into the fray.

Insofar as the above are true, the deliberative process of the ARRA resembles a familiar pattern of political change first adumbrated by Theda Skocpol (1992). Skocpol argues that studies of social policy must consider, on the one hand, "how the changing institutional configurations of national policies advantage some strategies and ideological outlooks and hamper others" (1992, 22), and on the other hand, how the behavior of parties affected by those policies reflects the advantages and disadvantages that arise from the broader political, economic, and institutional context within which they are situated. In the present case, the environment within which states deliberated accepting ARRA funds was tinged with the residue of an economic recession and the politics of a new Democratic president. At the same time, the law itself prefigured a certain kind of politics through requirements such as state certification and the inclusion of competitive grants.

States approached deliberation with their particular economic and political resources, objectives, and interests calibrated to fit the ARRA's macro-economic and -political context. Economic self-interest and partisan self-interest defined those states best positioned to confront the realities surrounding the ARRA's adoption and implementation. Deliberation, therefore, was largely a function of the congruence

between states' internal economic and political dynamics with the macroeconomic and macro-political environment of the day.

That states budgeting less toward highways expedited certification suggests that the ARRA's emphasis on transportation infrastructure proved attractive. As the Economic Self-Interest Hypothesis holds, states may have regarded the ARRA as an incentive to enter programmatic arenas they had hitherto neglected. Viewing the law as an avenue to new spending frontiers, states that had not invested heavily in highways prior to passage may have seized on certification of a law that made funding "shovel-ready" infrastructure projects a priority, while those that had already been spending substantially in this area took their time. Proposed administrative assistance by the federal government may have piqued interest among previously low spending states further. The U.S. Department of Transportation was charged not only with administering a sizeable constellation of programs to meet the Obama administration's recovery goals, but also with coordinating the efforts of states and subsidiary local agencies in their use of ARRA transportation grants. Perhaps most pertinently for our analysis, the Federal Highway Administration was charged with providing technical support to states receiving funds for highway projects.

Democratic and Republican governors no doubt considered the electoral ramifications of the ARRA. That Republican governors were more likely to delay certification suggests that partisan considerations were systematic, extending well beyond the few high profile cases reported in the media. On the one hand, states with Democratic governors perceived a comparative advantage in a law endorsed by a Democratic president. Republicans, by contrast, may have perceived that the stakes as being far

higher and more complex for them than for their counterparts. This is reflected in the cases of Louisiana, Mississippi, and Texas, all of whose governors rejected at least a portion of the expanded unemployment benefits included in the statute (Dewan 2009; Kelley and Fritze 2009). It is also reflected in South Carolina, which was the only state to deliberate the full 46 possible days, after a contentious and lengthy battle between the state's Republican governor, Mark Sanford, who vehemently opposed accepting ARRA funding, the state's Democratic legislature, who supported certification, and the state's Democratic and Republican congressmen, who were split on certification along party lines (Cillizza 2009; Kelley and Fritze 2009; Roth and Bauerlein 2009; Rucker 2009a, 2009b). Ultimately, Governor Sanford vetoed the budget passed by the state legislature in which it accepted stimulus money, the state legislature subsequently overrode the veto, and Governor Sanford sued.

CONCLUSION

We have argued here that states' deliberations of certification of the ARRA occurred amidst a singular combination of economic and political circumstances: the onset of a major recession and the advent of a new Democratic president. At the same time, the ARRA itself was a rare mix of structural designs: the requirement of state certification and the availability of supplemental, competitive grants. This combination of factors induced states to behave in ways that would maximize their economic and political interests. The states that most "fit" with the macroeconomic and macro-political context were evidently those that had not already invested significantly in at least one programmatic sector emphasized by the stimulus (highways) and those that had

Democratic governors; hence, these states spent significantly less time deliberating certification of the law than their counterparts.

Given the idiosyncrasies we have identified with the ARRA, it would be difficult to generalize to the types of policies states confront or produce regularly. Nevertheless, this study sheds important light on the constraints on state policymaking at times of economic crisis and heightened political partisanship. It also provides a theoretical framework for future research on federalism and comparative state politics. There will doubtless be other recessions in the United States in the future, and interrogating the economic and partisan self-interests of states will serve our understanding of states' responses to future federal policy changes well.

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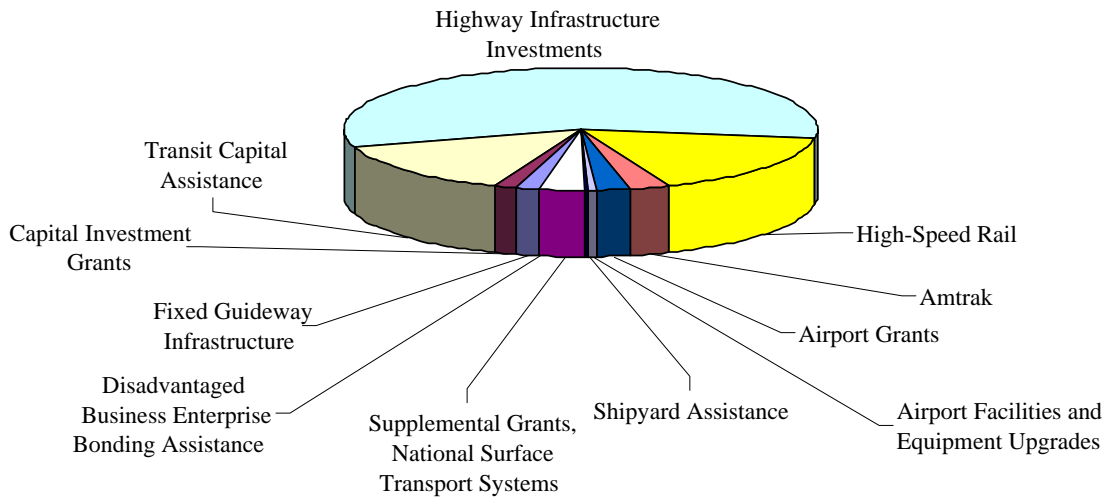
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Figure 1: ARRA Infrastructure Funding



Source: U.S. Department of Transportation

Table 1: Hypothesized Effects on State Deliberation of ARRA Certification

Variable	Measurement	Sign
Partisan Self-Interest	Democratic governor	-
Economic Self-Interest	Per Capita Education Expenditures	+/-
	Per Capita Medicaid Expenditures	+/-
	Per Capita Highway Expenditures	+/-
Governing Capacity	Legislative Expenditures Per Legislature	-
	Governor's Institutional Power	-
	State Employees Per 1,000 Population	-
Fiscal Health	FY '09 Budget Deficit as a % General Fund	-
	January 2009 Unemployment Rate	-
Fiscal Capacity	Per Capita Gross State Product	+

Table 2: Descriptive Statistics for Study Variables (n=50)

	Mean	SD	Min.	Max.
Days Spent Deliberating	21.6	10.8	1	46.2
Democratic governor	.56	.5	0.0	1.0
Per Capita Education Expenditures	2044.0	571.3	292.6	4423.5
Per Capita Medicaid Expenditures	5079.1	5530.2	6924.0	33291.0
Per Capita Highway Expenditures	459.7	249.3	239.47	1869.9
Legislative Expenditures Per Legislator	380.7	419.5	31.1	380.8
Governor's Institutional Power	3.4	.43	2.5	4.3
State Employees Per 1,000 Population	14.4	23.7	5.6	176.1
FY '09 Budget Deficit as a % General Fund	8.7	6.6	0	28.1
January 2009 Unemployment Rate	7.3	2.0	3.7	13.0
Log Per Capita Gross State Product	-4.53	.992	-6.32	-2.47

Table 3: Bivariate Relationships with Days Deliberating ARRA Certification (n=50)

Variable	Measurement	b(S.E.)	
Partisan Self-Interest	Democratic governor	-7.05*	
		(2.93)	
Economic Self-Interest	Per Capita Education Expenditures	.001	
		(.003)	
		Per Capita Medicaid Expenditures	-
		.00003	
Governing Capacity	Per Capita Expenditures on Highways	(.0002)	
		.012*	
		(.006)	
		Expenditures Per Legislator	-.004
Fiscal Health	Governor's Institutional Power	(.004)	
		-1.22	
		(3.64)	
		State Employees Per Thousand	.027
Fiscal Capacity	Log Per Capita Gross State Product	(.066)	
		FY '09 Budget Deficit as a % General Fund	.253
		(.233)	
Fiscal Health	January 2009 Unemployment Rate	-.43	
		(.769)	
Fiscal Capacity	Log Per Capita Gross State Product	2.30	
		(1.53)	

*Entries are ordinary least squares coefficients. *=p<.05, two-tailed.*

Table 4: Multivariate Model of Days Deliberating ARRA Certification (n=50)

Variable	Measurement	b(S.E.)	
Partisan Self-Interest	Democratic governor	-6.93*	
		(2.92)	
Economic Self-Interest	Per Capita Education Expenditures	-.002	
		(.003)	
		Per Capita Medicaid Expenditures	-.000
		(.000)	
Constant	Per Capita Expenditures on Highways	.014*	
		(.007)	
		27.28*	
		(6.86)	
Adjusted R ²		.124	

*Entries are ordinary least squares coefficients. *=p<.05, two-tailed.*