Variability in State Policy Priorities: An Empirical Analysis

William G. Jacoby and Saundra K. Schneider
University of South Carolina

This article examines variability in policy priorities across the American states; that is, the ways that state governments allocate resources to meet societal needs. Specifically, our analysis uses 1992 data on state program expenditures to produce a comprehensive geometric representation— or model—of state policy priorities for that year. This model is parsimonious, powerful, and substantively meaningful. The structure of state policy priorities is manifested as a sharp contrast between programs that deliver particularized benefits and those that supply collective goods. Furthermore, we show that policy priorities are largely determined by public opinion and interest group activity within the respective states. Therefore, our analysis not only operationalizes successfully a critical aspect of the policy process; it also makes a useful contribution to the study of state politics.

American state governments are confronted by a variety of social problems, political issues, and constituent demands. In order to deal with these concerns, they must develop a wide range of public policies. But some states devote a great deal of attention to problems that are ignored or downplayed in other states. As a result, the exact package of policies varies markedly from one state to the next (Gray 1999; Nathan 1996; Rivlin 1992). Within states, program resources are allocated on the basis of the priorities that public officials accord to different issues and problems. Such governmental priorities constitute a fundamental and critical aspect of the American policy-making process (Baumgartner and Jones 1993). But they are not well understood and have seldom been investigated systematically in the research literature on state politics (Ringquist and Garand 1999).

The purpose of this article is to examine the variability in policy priorities across the American states. We are particularly interested in the ways that state governments allocate resources to meet societal needs. We argue that state expenditures are the most direct empirical manifestation of their policy priorities. Our analysis uses 1992 data on relative state expenditures across a broad set of program areas, constituting virtually all of the concerns that are currently addressed by state governments. We use this information to demonstrate that interstate differences in policy commitments conform to a single, common underlying structure.

Our empirical analysis produces a comprehensive representation—or model—of state policy priorities. This model is highly parsimonious in that it depicts states and policies as points arrayed along a single unidimensional continuum. It is powerful because it accounts for virtually all of the variation in relative policy expenditures across the states. The model is substantively meaningful: the empirical depiction of state policy priorities has a great deal of face validity. It is also related to public opinion and interest group activity within the respective states. Thus, our analysis operationalizes successfully a critical aspect of the policy process. In so doing, it makes a useful contribution to the study of state politics.

Data

The raw data for this analysis consist of 1992 state general expenditures in 15 policy areas: corrections; education; employment security; government administration; health; highways; hospitals; housing and community development; inspections; natural resources; parks and recreation; police and law enforcement; transportation; veterans benefits; and welfare. Spending levels provide the clearest, most unambiguous indicators of governmental commitments to address various problems (Elling 1983; Garand and Hendrick 1991; Hansen 1990; Raimondo 1996). Therefore, the full set of expenditure values should provide a meaningful empirical manifestation of state policy priorities.[1]

All of this spending information (including the definitions of the policy categories) is obtained from *State Government Finances: 1992* (U.S. Department of Commerce 1993).[2] These data represent almost the full range of substantive concerns that typically confront state governments. Looking across the states, the 15 categories used here comprise from 70.4% to 95.8% of total 1992 state government general spending, with a mean of 87.7%. Thus, we are confident that these data encompass the vast majority of state policy expenditures.[3]

Our analysis seeks to explain the states' *relative* priorities across the different policy areas. We are not interested in examining *how much* states spend on different programs. Instead, this analysis focuses on how states *divide up* their available pools of resources. For this reason, the policy-specific spending values within each state are expressed as proportions of the total policy expenditures for that state across all 15 categories. In other words, the 15 data values that are actually employed in the analysis will sum to 1.00 for each state. This provides a measure of variability in policy allocations across the states while still effectively controlling for such features as state size, overall spending levels, and the like.[4]

Public Opinion, Interest Groups, and State Policy Priorities

What influences state policy priorities? Admittedly, this is a very broad question, but two possible answers are *public opinion* (e.g., Hill and Andersson 1995; Hill and Leighley 1993; Wright, Erikson, and McIver 1987) and *organized interest groups* (Olson 1965; Gray and Lowery 1988; 1996; Walker 1983;

1994; Zeigler 1983). Both have direct incentives to affect the allocation of state governmental resources. But their respective preferences are often at odds with each other. Therefore, the relative impacts of the mass public and organized interests on governmental priorities have important substantive implications for democratic responsiveness and popular control of the policy-making process at the state level.

To our knowledge, the effects of public opinion and interest groups on state policy priorities have never been compared directly to each other. Thus, those effects are the analytic objective in this section. Our purpose here is not to create a full-blown model of policy priorities in the American states. Instead, we merely want to explicate several important factors that affect the ways that state governments allocate scarce resources across different program areas. The dependent variable for our analysis is the set of state scores on the scaled continuum. The values have been transformed to range from zero to 100;[13] once again, larger values indicate an emphasis on collective goods over particularized benefits.

The first two independent variables operationalize public opinion within the states. Citizen partisanship and ideology are natural choices as measures of public opinion. At both the individual (e.g., Sears et al. 1980; Sniderman, Brody, and Tetlock 1991) and aggregate (e.g., MacKuen, Erikson, Stimson 1989; Stimson 1999) levels, these variables are often used to summarize mass political orientations. Therefore, we will include Erikson, Wright, and McIver's (1993) measures of state electorate partisanship and ideology. Larger values on these variables indicate more Democratic and liberal electorates, respectively.[14]

The next three independent variables operationalize interest group activities. We use Gray and Lowery's (1996) relative density variable as a measure of general interest group *strength*. This is defined as the ratio of the gross state product to the number of organizations registered to lobby within the state; larger values of this variable indicate economically stronger interest groups. Gray and Lowery (1996) argue that this ratio is the most appropriate measure of interest group strength because it gives the "average economic base behind (the) interest organizations in a state" (89). We also use the Herfindahl index to gauge interest group *diversity* within each state; larger values of this variable indicate a greater concentration of organized interests within particular sectors of a state's economy.[15]

(handwritten margin note: like z-scores, except that the mean is = 50, not 1.)

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[13] This change constitutes a linear transformation of the original values. This is fully appropriate since the unfolded scale is measured at the interval level. In other words, the transformed values do not alter any of the quantitative information contained in the scale. They simply provide more convenient measurement units.

[14] The electorate partisanship and ideology scores were provided to the authors by Gerald C. Wright.

[15] The measures of interest group strength and diversity are taken directly from information provided in Gray and Lowery (1996).

Along with private lobbying efforts, we also take public interest groups into account. This is important because governmental administrators often act as advocates for specific programmatic solutions to pressing issues and problems. Indeed, they are among the most successful lobbyists within state political systems (Elling 1999; Gormley 1996). To measure this factor, we use the number of state/local employees per 10,000 population. While the size of a state's bureaucracy does not automatically translate into activity, it does gauge the relative prevalence of administrators within society. We argue that this should be related to their overall degree of influence on policy commitments.[16]

Another general factor affecting state policy priorities is region. We conceptualize this, at least in part, as a control for the various other social, demographic, and political characteristics that vary across states. But there is also a long-standing and ongoing line of research that emphasizes variations in political culture across different geographic areas of the United States (Elazar 1984; Erikson, Wright, McIver 1993; Gray 1999; Jackson et al. 1982; Key 1949; Sawers and Tabb 1984). Recall that there appeared to be regional groupings in the states' positions along the unfolded policy priorities scale; the question is whether these regional differences remain once other relevant factors are taken into account. For all of these reasons, we use three dummy variables for northeastern, southern, and western states, leaving the midwest as the omitted reference category.[17]

The effects of the independent variables are estimated using ordinary least squares, and the results are presented in Table 1.[18] Even though the regression equation is quite simple in form, it fits the data very well. The R^2 is 0.797, showing that this model accounts for almost four-fifths of the variance in relative state policy choices. This represents an excellent degree of explanatory power.

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[16] The information on state government sizes is taken from CQ's *State Fact Finder* (Hovey 1996).

[17] It is important to mention several factors that are *not* included among our independent variables: state economic wealth (e.g., per capita income), the needs of state constituencies (e.g., percent of the population below the poverty line, unemployment rates, and crime rates), partisanship/ideology of state governments (e.g., percent Democratic in state legislatures, gubernatorial partisanship, and elite ideology scores), state size (e.g., population; population density; and geographic area), and state tax systems (e.g., state/local tax effort; state/local tax progressivity). These kinds of variables appear frequently in state-level policy research. We did test for their effects, and none of them made any difference. While some of the variables show moderate bivariate correlations with the state scale scores, the relationships disappear as soon as other influences are taken into account. Therefore, we are confident that all of these factors can be omitted safely from the equation predicting relative spending priorities in the states.

[18] This model specification was subjected to extensive diagnostic testing. Potential problems like nonlinearities, multicollinearity, and heteroskedasticity do not occur in these data. We are fully satisfied that the relationship between the independent and dependent variables is linear and additive in form, with gaussian errors. Therefore, ordinary least squares is the most appropriate estimation procedure.

TABLE 1

Influences on State Public Policy Priorities

Independent Variables	OLS Regression Coefficients	Standardized Coefficients
Public Opinion		
Electorate Partisanship	−30.603	−0.213
	(13.128)	
Electorate Ideology	10.007	0.048
	(18.602)	
Interest Group Activity		
General Interest Group Strength	−0.066	−0.340
	(0.015)	
Interest Group Diversity	−584.440	−0.242
	(192.946)	
Size of State Government	0.074	0.225
	(0.027)	
Region		
Northeastern States	−20.135	−0.383
	(4.758)	
Southern States	4.346	0.100
	(4.569)	
Western States	8.191	0.168
	(4.452)	
Intercept	102.591	
R^2	0.797	

Note: Figures in parentheses are standard errors. All coefficients are statistically significant at the 0.05 level (directional test) except for those on electorate ideology and on the dummy variable representing southern states. The number of observations is 48.

The leftmost column in Table 1 shows the regression coefficients for the individual variables, along with their standard errors. Most of the independent variables have statistically significant effects. In order to assess the relative impacts of the different variables, the right-hand column of Table 1 shows the standardized regression coefficients. Despite all of their well-known limitations, the latter still provide the most convenient way to compare the effects of independent variables that are measured in different units.

The results in Table 1 show that state public opinion influences state policy choices. But the precise effects vary across specific orientations within the mass public. On the one hand, party attachments have exactly the impact that one would expect. The standardized coefficient for the mass partisanship variable is quite large, at −0.213. This means that states with larger numbers of Democratic party identifiers within their electorates tend to focus their resources on programs that provide particularized benefits to needy groups. On the other

hand, the coefficient for electorate ideology is unexpectedly positive, small in magnitude, and not statistically significant: the standardized coefficient is only 0.048.[19]

These findings are very reasonable. A long line of work has demonstrated repeatedly that most citizens do not connect ideological abstractions, like liberal-conservative labels, to specific policy alternatives (Converse 1964; Jacoby 1995). Our results show that the "ideological innocence" of the mass public has significant policy consequences: the programmatic commitments of state governments are not systematically connected to citizens' liberal-conservative orientations. Instead, the impact of public opinion is channeled entirely through the partisanship of state citizens. As many scholars have noted, political parties provide visible and coherent symbols for translating mass preferences into political realities (e.g., Aldrich 1995; Schattschneider 1960).

The next three coefficients show that interest group activity has a very powerful impact, although one that varies depending upon the nature of the group. Let us begin by considering private interest groups. The standardized coefficient for group strength is one of the largest in the table at −0.340, while that for group diversity is also quite sizable at −0.242. These estimates show that smaller numbers of groups (relative to state economies) and more narrowly concentrated group interests both increase the salience of particularized benefits within state expenditures.

These results may seem to contradict some of the traditional interest group research, which suggests that larger numbers of groups broaden the overall scope of governmental activity (e.g., Olson 1965; Salisbury 1969; Walker 1983). But the more recent literature stresses that private interest groups are most successful when they are relatively few in number, the groups are concentrated in particular substantive areas, and the active interests possess economic power (e.g., Browne 1990; Cigler 1991; Gray and Lowery, 1996; Heinz, Laumann, Nelson, Salisbury 1993). Our findings almost perfectly mirror this latter perspective. Interest groups usually seek particularized benefits for their members—precisely the kinds of policies represented at the lower end of our scale. The direction and size of the empirical regression coefficients attest to the considerable degree of success that they achieve in doing so.

State government size also has a strong effect, although it runs in the opposite direction from the other interest group variables. The standardized regression coefficient for the number of state/local employees is 0.225. Apparently, state administrators are lobbyists for collective goods. The prevalence of bureaucrats (i.e., larger numbers relative to state size) leads to increased pressure for, and hence priority on, the kinds of services that they provide in areas like

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[19]This conclusion is not an artifact of the specific ideology variable employed in our analysis. We replicated the regression equation, substituting the state citizen ideology measure created by Berry et al. (1998). The empirical results are virtually identical to those reported here.

housing and community development, law enforcement, and highways.[20] It is also interesting to note that "government administration" falls within the collective goods side of the scale; thus, it is in the bureaucrats' own self-interest to move policy priorities in this direction (Barrilleaux 1999). Our results show that they do so very effectively.

Finally, the last three coefficients measure regional effects; recall that they gauge how each region differs from the Midwest (the omitted reference category). Once again, the empirical results are highly consistent with prior expectations. The standardized coefficient for the Northeast is quite large at -0.383. This shows that northeastern states are much more likely than those in the Midwest to emphasize particularized benefits within their policy profiles. In contrast, the standardized coefficients for the South and the West are both positive, at 0.100 and 0.168, respectively. These values indicate that southern and western states are more attentive to collective goods than are midwestern states. Note, however, that the effect is only statistically significant for the West.

Regional differences, probably stemming from a myriad of cultural, demographic, social, economic, and environmental factors, lead to sizable variations in the kinds of social problems and issues to which the states devote their public resources. For example, northeastern states possess more concentrated populations and higher levels of economic distress. Therefore, they must provide a certain level of particularized benefits regardless of mass influence or interest group activity. On the other side of the country, the vast area and predominantly rural character of most western states force their leaders to pay more attention to collective goods, like highways, parks, and natural resources.[21]

The results from this empirical analysis are fully consistent with the thrust of recent work that emphasizes the primacy of political factors in shaping state policy outputs (Hill and Leighley 1993; Wright, Erikson, McIver 1987). But we go further than most other studies by focusing upon a particular point in the policy process and by differentiating among the various political influences on state systems. It is widely acknowledged that public opinion and pressure group tactics affect "public policy." Our results identify a specific stage of the policy process where their impact is both visible and quite powerful—establishing the spending priorities for state governments.

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[20] Of course, it is possible that the causal chain runs in the opposite direction: collective goods may pose problems that require larger bureaucratic systems in order to address them. Unfortunately, it would be extremely difficult to test this alternative hypothesis with the data that are currently available. We believe it is nearly impossible to find suitable instrumental variables for identifying an appropriate nonrecursive structural equation model. Nevertheless, our own hypothesis—that governmental interest groups affect policy priorities—receives strong and nearly unanimous support from the public bureaucracy literature (Gormley 1996; Rockman 1992; Rourke 1984; Wildavsky and Caiden 1997). Therefore, that is the interpretation we choose to emphasize in our discussion.

[21] The impact of the western region would be much greater if California were omitted from the analysis. Inspection of the regression diagnostic statistics indicates that this single observation "pulls" the coefficient toward zero.

Thus, interest groups and public opinion become involved relatively early in the policy process, by influencing the ways that state officials allocate resources across program areas. This almost guarantees that they will have a significant impact on the content of public policy—an effect that is analytically distinct from any subsequent influence that they may exert on program implementation and/or the success with which state governments meet their programmatic objectives (Thomas and Hrebenar 1999).

In conclusion, our analysis examines a critical aspect of the policy process— the ways that public officials establish priorities for addressing important societal problems. We also focus directly on the states, where many important domestic policy choices are now being formulated within the American intergovernmental system. Overall, our empirical results show that state-level policy priorities are both highly structured in their content and responsive to the demands that are placed upon them. We believe this has important implications for understanding the complexities of state politics and, more generally, the dynamics of the American public policy process.

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