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Assessing Budget Delays in the Commonwealth of Virginia: A Cross State Analysis of Political and Economic Factors

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ASSESSING BUDGET DELAYS IN THE COMMONWEALTH OF VIRGINIA:

A CROSS STATE ANALYSIS OF POLITICAL AND ECONOMIC FACTORS

A dissertation submitted in partial fulfillment of the requirements for the degree of
Doctor of Philosophy at Virginia Commonwealth University.

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Abstract

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ASSESSING BUDGET DELAYS IN THE COMMONWEALTH OF VIRGINIA: A
CROSS STATE ANALYSIS OF POLITICAL AND ECONOMIC FACTORS

By: Emily Byrd Newton, Ph.D.

A Dissertation submitted in partial fulfillment of the requirements for the degree of
Doctor of Philosophy at Virginia Commonwealth University.

This paper assessed factors that delayed the passage of the annual budget bill

specifically in Virginia and also in 13 structurally similar states including: Arizona,

Connecticut, Indiana, Kentucky, Maine, Minnesota, Montana, New Hampshire, North

Carolina, North Dakota, Texas, Washington, and Wyoming. Virginia was the core focus

of this study, but the variables detailed below were also measured for all thirteen states

in an effort to broaden the scope of the study, and determine which political and

economic factors affected the budget passage rates in Virginia and the 13 other states.

Political and economic explanations were tested to examine their relationship with the

passage of the state's budget bills including: divided governments, election cycle of the

Governor, economic conditions, and political party influence. Through the use of a

general linear model, the relationship between these political and economic factors and

the time that it takes to pass an annual budget was assessed from 1980 to 2010.

The findings in this study revealed that split branch governments have an impact

on the time that it takes to pass a state budget bill. The findings in this study helped

deepen our understanding of factors that influenced state budget bill passage rates and

suggested recommendations for future legislative sessions that will benefit state agencies,

legislators, and citizens in the Commonwealth of Virginia.

CHAPTER 1: Statement of Problem

Overview of the Problem

Overall, this study was focused on the timing of the passage of the state budget in various states. When a budget is delayed it can affect the fiscal health of the state and quality of life for the citizens. This study examined the policies and practices surrounding the timing of budget passage in each state, and analyzed the political and economic factors that led to budget delays.

Since 2002, 19 states have started their Fiscal Year without a balanced budget. Five, of these 19, states experienced partial government shutdowns as a result. When Fiscal Year 2010 began, eight states had not passed a budget: (AZ, CA, CT, IL, MI, NC, OH, PA) (NCSL Report, 2010). A study by the National Conference of State Legislatures found three potential alternatives for dealing with a state that does not have a balanced budget to begin the fiscal year. These alternatives include: passing a temporary appropriation bill, utilizing constitutional provisions that ensure the continuous operation of government, and a partial shutdown of the government (NCSL Report, 2010).

When faced with a budget delay, the majority of states used temporary appropriation bills to maintain government operations (NCSL Report, 2010). When the constitutional provisions are used as a way to maintain the government, there is a continual payment of funds to agencies for services if there is no adopted budget. This allows for the continuous operation of most state agencies as funding is continued at previous year levels. When the government is shut down, there is often a furlough of employees, state parks are closed, and some state agencies are temporarily closed. For

example, in the state of New York in 2010, there was no actual state budget passed when the fiscal year ended in April. Emergency spending bills were passed weekly to pay state troopers, park employees, state counselors, and other necessary employees (Scherer, 2010).

Regardless of what option is used, there is a cost associated with a delay in budget adoption. When the regular legislative session is extended, there are additional operational costs, namely salaries for legislators and staff, and the potential loss of services for citizens (NCSL Report, 2010). When there are mandatory furloughs, employees lose wages. When the Commonwealth of Pennsylvania had a mandatory furlough day in 2007 for its 24,000 employees, there was a loss of $3.5 million in wages (Urbina, 2007). An example of the impact of furlough days was evident in Virginia in Fiscal Year 2010, the furlough day was not a result of a budget impasse, but was used as a cost saving mechanism (Shapiro, 2009). On September 8, 2009, Governor Tim Kaine (Democrat) of Virginia announced that all state workers (excluding public safety workers) would have to take a furlough day in an effort to close the $1.5 billion gap in Virginia's budget (Shapiro, 2009). Virginia's furlough day resulted in a loss of $9.8 million in wages for the Commonwealth of Virginia state workers (Appropriation Act, Chapter 847, 2008). In 2010, Arnold Schwarzenegger, Governor of California, signed an Executive Order mandating that state workers take three furlough days a month (Schwarzenegger, 2010). In the press release, Schwarzenegger explained: "Our cash situation leaves me no choice but to once again furlough state workers until the legislature produces a budget I can sign" (Schwarzenegger, 2010). While these examples

are not furlough days due to a budget impasse, they show the extent of the affects that a furlough can have on the state as well as its workers.

Most recently, in Fiscal Year 2011, the state of Minnesota was forced to shut down the government (Davey, 2011). The budget battles centered around a Democratic Governor (Mark Dayton) proposing higher taxes on wealthy residents in Minnesota, and a Republican led legislature that was seeking deeper cuts in state spending (Davey, 2011). The shutdown of government continued for 14 days. At the conclusion of the shutdown, a list of potential costs incurred during the shutdown was released by Elizabeth Dunbar with the Minnesota Public Radio News (Dunbar, 2011). These costs include: loss of state park revenue, loss of productivity from state employees planning for the shutdown, loss of productivity during the shutdown, loss of lottery revenue, costs associated with suspending construction projects, interest and financial penalties incurred, and revenues lost due to delays of business licenses being processed for business owners (Dunbar, 2011).

Lost wages and service reductions in the state can have a great economic impact on the local economy. When wages are lost, there is less money spent in the state. When the government shuts down, it can impact the state's standing in the credit markets and it can potentially impact the state's credit rating. When a state's standing in the credit market is negatively impacted, or its credit ratings are downgraded, the cost of debt service for the state can increase. The state could even have difficulty accessing the credit markets at all if the perceived impact of the shutdown is severe enough. Even partial shutdowns of the government can be costly. Revenue generation can be affected. During a government shutdown in New Jersey in 2006, Atlantic City casinos were forced

to close. This shutdown cost New Jersey $1.3 million in state revenue (Hester, 2007). In addition, when the lottery was taken down for the day, there was a $2 million per day loss of revenue (Hester, 2007).

The Virginia legislature has delayed passing a state budget many times. Most recently, the legislature was called into special session as a result of a delayed budget in 2006, 2007, and 2009. During the past three years, the General Assembly has had to reconvene in Special Session each year to vote on the budget. While delaying the passage of the budget may seem insignificant, it can have many ramifications. Without a budget, the state could realistically shut down. When there is a stalemate over the budget, political leaders determine which agencies will receive their funding, while others must go without.

On March 13, 2010, the Virginia General Assembly adjourned for the 2010 session. There was no compromise on the state budget. The assembly reconvened later that weekend to work on a compromised budget (Lewis, 2010). The legislators approved a $70 billion budget that included millions in cuts for public education and health service programs. Specifically, there were $250 million in cuts for public education, and a Medicaid reimbursement cut of seven percent for hospitals, nursing homes, doctors, and other health professionals (Appropriation Act, Chapter 847, 2008). Governor Robert McDonnell (Republican) commented on the budget by saying: "I spent the first three weeks in this office, sitting in that conference room going over every line. The fact that we got that done, just a day late, without raising taxes was a significant accomplishment" (Lewis, 2010). Therefore, it is obvious the amount of work and analysis that goes into "hammering out" a state budget that is beneficial and fair for all citizens. In the

following section, the political and economic climate in Virginia from 1980 to 2010 will

be discussed to show that both politics and economics play a role in passing legislation.

The Political and Economic Climate in Virginia 1980 to 2010

In Figure 1, the political and economic climate from 1980 to 2010 is examined by

looking at the political party of the Governor, the majority political party in the House of

Delegates, and the majority political party in the Senate. Figure 1 shows the legislative

make up each Governor was able to work with when passing legislation. In the narrative

section that follows, the researcher will go into detail about each Governor during the

time period and outline major accomplishments, or struggles, during their term in office.

Additionally, the researcher will discuss the status of the economy during this period.

Year	Governor	Political Party of Governor	Political Party with Majority in House	Political Party with Majority in Senate
1980	John Dalton	Republican	Democrat	Democrat
1982	Charles Robb	Democrat	Democrat	Democrat
1984	Charles Robb	Democrat	Democrat	Democrat
1986	Gerald Baliles	Democrat	Democrat	Democrat
1988	Gerald Baliles	Democrat	Democrat	Democrat
1990	Douglas Wilder	Democrat	Democrat	Democrat
1992	Douglas Wilder	Democrat	Democrat	Democrat
1994	George Allen	Republican	Democrat	Democrat
1996	George Allen	Republican	Democrat	Split Majority
1998	Jim Gilmore	Republican	Split Majority	Republican
2000	Jim Gilmore	Republican	Republican	Republican
2002	Mark Warner	Democrat	Republican	Republican
2004	Mark Warner	Democrat	Republican	Republican
2006	Tim Kaine	Democrat	Republican	Republican
2008	Tim Kaine	Democrat	Republican	Democrat
2010	Bob McDonnell	Republican	Republican	Democrat

Figure 1: Political Makeup of Virginia, Party of the Governor, Majority of House and Majority of Senate

The Charles Robb Administration: January 16, 1982- January 18, 1986

At the end of the 1970s and beginning of the 1980s, Republicans were thought to be the most successful party in the nation. On January 20, 1981, Ronald Reagan was inaugurated as the 40th president of the United States and this was seen as a way of reorienting the Republican Party (Atkinson, 2006). The Governor in Virginia during this time was Republican John Dalton. His press secretary, Charles Davis, boasted that the only way that a Republican could lose statewide election in 1981 would be: "If all voting machines malfunctioned on voting day" (Atkinson, 2006). However, during this same period, Charles Robb, a Democrat, entered the Virginia political scene in 1977 by running for Lieutenant Governor. Robb campaigned on a moderate platform and had both components of economic conservatism and racial progressivism (Atkinson, 2006). These attributes coupled with wealth were appealing to the young voters that were now beginning to populate the suburbs. Robb's biggest supporters were African Americans, laborers, and liberals. This group mixed in combination with the young "forward thinking" voters in the suburbs led Robb to victory over Marshall Coleman to become the 64th Governor of Virginia (Atkinson, 2006). Along with Robb capturing the Governor's mansion, Democrats also took the other two statewide offices: Attorney General and Lieutenant Governor in a sweep of all statewide offices by Democrats (Atkinson, 2006).

During this time, there was a population boom in Virginia, and the newly populated areas of Northern Virginia and Tidewater became politically influential. This influence came in the form of voting power, campaign contributions, and strong opinions on issues. During this time, the state population grew by 500,000. Many new voters were from other states and many were wealthy home builders and real estate executives

(Atkinson, 2006).   The Democrats were able to cater to the needs of the new population, and take advantage of the benefits that came from the new Virginia residents.

While Robb was in office, he proved wrong those that doubted his experience and lack of government knowledge. Robb used moderate methods as the chief executive and promoted bipartisanship. During the Robb years, the economy was rebounding, and revenues were beginning to increase. Robb was said to have "restored Virginia's fiscal integrity" (Atkinson, 2006).   Personal income increased in the 1980s, and Robb took credit for this achievement. During this time, Democrats were able to discuss the improvements to the fiscal health of the state to both liberal and conservative audiences (Atkinson, 2006). As the Democrats basked in the glory of their financial achievements, they were also in a position to fund programs that would benefit citizens in the Commonwealth of Virginia since the budget was balanced, without adding new revenue sources. Robb was able to use the newfound revenues for education by implementing raises for teachers and funding for the Standards of Quality (SOQ) that were used in elementary and secondary schools. The SOQ were developed based on skills that were necessary for success in school, preparation for life, and reaching each student's own potential (Code of Virginia, Standards of Quality, 1988). During this time, it was noted that Robb spent an additional billion dollars on education (Atkinson, 2006).

Robb also brought forth diversity in the Governor's cabinet by appointing women and minorities to high posts, and embarking on changes in public safety. When there was an open spot on the state Supreme Court, Robb appointed the first African American Justice, John Charles Thomas (Atkinson, 2006). During the Robb administration, prisons and public safety became "hot" topics. Robb was in charge of carrying out the first death

penalty verdict in 25 years. In addition, harsher procedures were put in place in prisons after a number of escapes happened during the Robb administration.

During Robb's tenure as Governor, he had the luxury of having Democratic majorities in both the House of Delegates and the Senate for the entire duration of his administration. Therefore, Robb had a unified government as well as a unified legislature. Democrats would continue to hold onto these majorities until the late 1990s.

In conclusion, Robb reinvigorated the Democratic Party after a decade of Republican rule in Virginia. During his Governorship, Robb had high approval ratings among voters. Hunter Andrews, Democratic Senate Majority Leader for 32 years, once said "Democrats owe a tremendous debt of gratitude to Charles Robb. He put it all together; it became respectable to call yourself a Democrat" (Hunter Andrews, 2001; Atkinson, 2006).   Gerald Baliles described Robb by saying "He deserved the credit for making it respectable, socially, politically, and economically to be Governor" (Atkinson, 2006). The election of Charles Robb and the achievements during his tenure as Governor would set the precedent for further Democratic successes through the 1980s.

The Gerald Baliles Administration: January 18, 1986 – January 14, 1990

In the late 1980s, manufacturing plants and farms were being replaced by high technology firms and service businesses. During this time, the state was faring well economically. The population was beginning to move from rural areas and cities to the suburbs. The Northern Virginia and Tidewater areas were building up due to President Reagan's initiatives and the need for more national defense. During this time, there was a rise of the prosperous baby boomers combined with the suburban African American middle class (Atkinson, 2006). The population in the suburbs was less in tune with

Republican conservatism, and more interested in progress. They had individual attitudes mixed with libertarianism (Atkinson, 2006).

Following Robb, Democrat Gerald Baliles took over as the 65th Governor of Virginia, with 52% of the vote. He served as Governor from 1986 to 1990. Prior to his election as Governor, he served as Attorney General and as a member of the House of Delegates. His term in office as Governor was known as a great time of economic development in the state. Virginia had the highest per capita income in the southern region as well as the ninth in the nation (Atkinson, 2006). Similar to his predecessor Charles Robb, Baliles continued appointing minorities into state leadership positions. Baliles appointed the first female to the Supreme Court of Virginia, Elizabeth Lacy, in 1988.

Baliles was also known for improving the transportation infrastructure, and was referred to as the "Transportation Governor." When Baliles became Governor in 1986, he announced that transportation would be his top priority, and called the General Assembly into a special session to work on just that issue. He selected a bipartisan panel to confirm the transportation needs in the Commonwealth, and to find alternative funding for transportation. Democrat leaders Edward Willey, Hunter Andrews, and A.L. Philpott were chosen to lead this study. From the work of the panel and the recommendations of the study, a $422 million transportation package was formed (NCHRP, 2009). The recommendations called for: a half a cent percent increase in the sales tax that was dedicated to transportation; a gas tax increase equal to $0.175/gallon; and the establishment of two trust funds. The trust funds were called the Transportation Trust Fund (TTF) and the Highway Maintenance and Operating (HMO) Trust Fund. These

recommendations were presented to the Virginia General Assembly in the 1987 session; the recommendations and the transportation package were adopted with minimal opposition (NCHRP, 2009).

Similar to his predecessor, Baliles was in an advantageous position as chief executive because he had Democratic majorities in both houses of the state legislature. Baliles not only had majorities, he had super majorities in both houses. For example, in 1988, the Senate had 30 Democrats compared to 10 Republicans and the House of Delegates had 64 Democrats to 35 Republicans (Senate of Virginia, 2011).

Baliles is said to have led one of the most accomplished administrations. He successfully pushed through the above mentioned transportation package as well as increased funding for mental health, indigent defense, and child care services. During this time, Baliles lobbied for higher salaries for teachers, and subsequently teachers in Virginia became the highest paid teachers in the Southern region. Also, he put forth a public-private partnership to restore the Chesapeake Bay. W. Tayloe Murphy Jr., Democrat and veteran member of the House of Delegates, was tapped to introduce legislation on the Chesapeake Bay as part of Baliles' environmental initiatives (DEQ, 2011). The Chesapeake Bay Preservation Act was written by W. Tayloe Murphy, Bud Watson from the Chesapeake Bay Foundation, and Tim Haynes from the Environmental Defense Fund (DEQ, 2011). While rounding out his term as Governor, Baliles would support the Democratic Party by endorsing L. Douglas Wilder as the next Governor of the Commonwealth.

The L. Douglas Wilder Administration: January 14, 1990 – January 15, 1994

When Baliles left office, Douglas Wilder was the heir apparent for the Virginia Governorship. Describing the political climate during the end of Baliles' tenure, Frank Atkinson, author of <u>Virginia in the Vanguard</u>, noted: "With the state economy seemingly strong and with Robb and Baliles ostensibly back in his corner, Wilder had all the advantages of a pseudo-incumbency. At the same time, his unique candidacy satisfied the electorate's appetite for excitement, change and the perception of progress" (Atkinson, 2006). In the following section, the researcher will trace Wilder's climb to the Governorship and highlight the accomplishments and political climate while he served in this role.

Wilder's political career began when he won the 1969 special election for the Senate of Virginia. He was the first African American that was elected to the Virginia Senate. Wilder was a liberal, but was serving in a conservative legislature. In 1985, Wilder won the statewide position of Lieutenant Governor with Baliles serving as Governor.   At one time The Robb-led Democrats thought that Wilder was too liberal, and controversial, and they believed that he was a threat to the success of the Democratic ticket. In addition to being viewed as "too liberal", Wilder had a very tumultuous relationship with Governor Robb. However, instead of sinking the ticket, Baliles found that Wilder brought an appeal to the Democratic ticket. Many voters wanted to "make history" by electing the first African American to a statewide office (Atkinson, 2006).

 Once Wilder proved that he could win the statewide office of Lieutenant Governor, he set his sights on the Governorship. The year following his election to the position of Lieutenant Governor, he spent time speaking with Virginians in rural areas.

He wanted Virginians to know that he was ready to govern, and Virginians should give

him a fair shot. He wanted the people of Virginia to know that he could be a good

Lieutenant Governor, that he was willing to reflect their values. This would enable him

to have the chance to prove he could be Governor.   However, when campaigning for

Governor, Wilder tried to distance himself from Baliles on the views of public safety and

raising taxes. Most notably, Wilder did not agree with Baliles regarding death row

inmates having personal contact with their spouses and family during visits. Also,

Wilder took issue with the sales tax increase that was introduced by Baliles as part of the

$422 million transportation package (mentioned in the Baliles section). Wilder was a

member of the bipartisan panel that dealt with the transportation crisis and offered

recommendations. When it came time to lobby for Governorship, Wilder began his anti-

tax platform. Wilder was recorded telling Virginians: "We must stop piling regressive

taxes upon those citizens and businesses least able to afford them" (Atkinson, 2006).

During this time of independence from Baliles, a Republican Party spokesman said that

the "Lieutenant Governor was intentionally distancing himself from the taxing Governor"

and trying to "establish the conservative credentials he needs to be Governor" (Atkinson,

2006).

Even when Wilder distanced himself from Governor Baliles, Baliles showed a

unified Democratic front when announcing Wilder as the Democratic candidate for

Governor. Baliles laid the groundwork for Wilder's bid for the Governorship with a

speech that he gave in the spring of 1988. "Three years ago, Doug Wilder ran for

Lieutenant Governor of Virginia. Many people told him he could not win. He politely

ignored them. He talked not of the past, but of the future. And, he won.   Now, Doug

Wilder has his sights on a new office. Again, he will address the future. And, again he will have a chance to make history in Virginia. Perhaps more to the point, Virginia will have the chance to make history (and to establish) that Virginia does not have time to waste on the old fears, old habits, and the old divisions" (Atkinson, 2006).

Douglas Wilder was elected as the 66th Governor of Virginia by narrowly defeating Marshall Coleman by less than a percent. He won by 6741 votes while almost 1.8 million were cast. This narrow win prompted a recount. The thin victory came from the votes cast in the Northern Virginia and Tidewater areas.

When Wilder took office, there was a slight economic downturn in the state. He inherited a budget that had a one billion dollar shortfall. However, in a true testament to his fiscally conservative ways, he was able to balance the budget without raising taxes, and implemented the "rainy day" fund. The rainy day fund set aside surplus money each year as an "insurance plan" in case the economy took a downturn in the coming years. During this time of impending economic hardship, Wilder appreciated his position as "cutter in chief" (Atkinson, 2006). He was known for cutting unnecessary programs in an effort to "trim the fat" (Atkinson, 2006).

Wilder's big initiatives were crime, gun control, and transportation. Similar to Baliles, Wilder put funding in place for transportation initiatives. He reallocated federal highway monies to the state, and passed state bond issues to improve transportation because at this time Northern Virginia and Tidewater were continuing to expand and there was a need for transportation improvements. As for his crime initiatives, he led the initiative to only allow one handgun purchase per month. He continued to lead with sound fiscal management but would inevitably face the diminishing economy.

After 18 months as Governor, the economy in the state was getting worse, and in August 1990, the budget shortfall reached $1.2 billion. At the same, Wilder was flirting with the idea of a presidential nomination. He was criticized for spending too much time molding his presidential campaign and less time on the financial problems in Virginia. By 1991, the deficit had increased to $2.1 billion. Governor Wilder was plagued with a bad economy but was able to make necessary cuts and still put forward reforms before leaving office.

Warren Fiske of the Virginian Pilot wrote: "If Doug Wilder hadn't been so confrontational, he might be spending his final weeks as Governor enjoying the praise Virginians typically reserve for fiscal conservatives instead of the barbs that go with being the most unpopular chief executive in memory" Fiske shortly later added, "If Doug Wilder hadn't been so confrontational he would have never been Governor" (Edds and Morris, 1999; Atkinson, 2006). In the end, Wilder was plagued with a budget crisis, feuds with his processors and peers (Charles Robb/Gerald Baliles/ Hunter Andrews), and dismay from citizens about campaigning for the Presidency while also serving as Governor.

The legislature during the Wilder administration was similar to that of Robb and Baliles. Wilder also was able to work with Democratic majorities in each of the chambers in the state legislature. However, as Virginia approached the early to middle 1990s, Democrats began to lose their supermajority status, and in both the Senate and the House of Delegates, Republicans were about to close the gap on their majorities.

The George Allen Administration: January 15, 1994 – January 17, 1998

George Allen, a Republican, was elected as the 67th Governor of Virginia. Similar to the election of Robb, this was a shift in the politics in Virginia; the Republicans had re-captured the Governor's mansion after a decade. Often compared to Ronald Reagan, Allen had the ability to change Virginia's political landscape. Allen, as a Governor, was described as: "George Allen was the first Virginia politician to embody Reagan populism and employ it at the state level" (Atkinson, 2006). Allen reoriented politics in Virginia, and he embarked on making reforms. Allen's ideals were much like those of Thomas Jefferson and Ronald Reagan, he believed in the consent of the governed. As such he believed in the bond between the elected and the electorate. Allen's views were that policies were endorsed by the electorate, and campaign promises were to be taken seriously. And with this notion, he forged ahead with policy changes (Young Americans Foundation, 2011).

Allen promised reforms across all policy areas: from health and human services to education.   During this time, there was a surge in crime in Virginia. Allen's solution to the surge in crime was to abolish parole. Statistics showed that 75% of criminals in the Commonwealth were repeat offenders; with this Allen called the legislature into a special session in 1994 to work on a plan to abolish parole and reform truth in sentencing. Truth in sentencing ensures that inmates serve a minimum of 85% of their sentence. Allen appointed a bipartisan team to hammer out this plan. Democratic members of the legislature resisted the changes, but in a 1995 special session, the reforms were passed.

When describing Allen as Governor, a Richmond Times Dispatch reporter said: "For a self – described conservative, George Allen has been nothing less than radical.

He's actually doing what he promised voters he would. With an electorate jaundiced about politicians' promises, the Republican Governor has stuck to his script of campaign promises. Less than one year into the term, Allen has pushed major initiatives ranging from abolition of parole to a refund deal for illegally taxed federal prisoners. He has launched the biggest prison building program in state history, proposed a record tax cut, and plans a record scaling down of state government" (Michael Hardy, 1998; Atkinson, 2006).

Allen also sought to grant tax relief for lower and middle income families. He announced his tax cutting plan in the middle of the state's two year budget cycle. At this time, revenues were slightly behind the forecasted amounts. Allen knew that state expenditures had tripled in the last three years, and knew that the budget could withstand a 3% reduction. The tax reduction plan was opposed by the Senate Finance Committee as well as the House Appropriations Committee. This tax plan was also opposed by senior Republicans and Democrats. There was overwhelming bipartisan support against it. Allen eventually admitted that the timing of his tax relief plan as well as the calculations for decreased revenue were wrong.

During the last week of the 1995 legislative session, he vowed to reform the welfare system. A welfare reform bill was signed with bipartisan support, and that was referred to as the Virginia Initiative for Employment Not Welfare (VIEW). This bill limited Temporary Assistance for Needy Families (TANF). Welfare caseloads decreased, and employment numbers went up for those on welfare.

Also, Allen recommended that there should be statewide standardized tests for educational accountability. The Board of Education voted to implement the Standards of

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Learning (SOL). The SOLs measure student achievement and ensure academic

accountability in English, Mathematics, History, Economics and Science. As mentioned

above, Allen brought forth many reforms and held true to his campaign promises.

As can be seen in the sections above, from 1982 to 1994, the Virginia legislature

was ruled by the Democratic Party. In the 1996 legislature, all the seats for the Senate

and House of Representative were up for election. After the election, the Democrats

maintained control of the House of Delegates, but the 40 member Senate was split with

20 Republicans and 20 Democrats. The Lieutenant Governor, Don Beyer, was a

Democrat, and he gave Democrats the controlling vote in the Senate. This measure

outraged the Republicans, and Virgil Goode (Republican) began to meet with other

powerful Senate Republicans to discuss a power sharing agreement (Stosch, 2011). On

January 12, 1996, Senate Republicans and Democrats came up with a power sharing

agreement. This agreement gave Republicans parity on committees (allowing them to

chair committees), and also created a bipartisan chairmanship for the powerful Senate

Finance Committee (Stosch, 2011).

During the first two years of the Allen administration, Allen was faced with

Democratic majorities in both the House and Senate. As he entered the last two years of

his term, Allen had Republicans sharing power in the Senate with Democrats. During

this time, Republicans were beginning to regain power in the Virginia government.

The James Gilmore Administration: January 17, 1998 – January 12, 2002

Gilmore used the popularity of George Allen and the Republican Party as his

strategy as he campaigned for the Governorship. He claimed to have a "crime fighting"

partnership with Allen, and was intent on moving Virginia forward. He also had a

"middle of the road" stance on abortion. He felt that the Allen administration did a lot, but he strived to do more. The campaign promises of Jim Gilmore included hiring 4,000 public school teachers and phasing out the Virginia personal property tax on automobiles.

Gilmore defeated Don Beyer to claim the Virginia Governorship. He won the election with over 55% of the vote. During this election, Republicans also swept the other statewide offices. While the Republicans captured the three statewide offices, they were not in control of the Virginia General Assembly. In 1998, the Republicans had 49 seats in the House, and the Democrats had 50 seats. There was one seat held by the veteran delegate, Lacey Putney, who was an independent. Putney had historically voted with the Republicans and attended the Republican caucus which caused a split on the votes (Atkinson, 2006). However, the majority belonged to the Democrats. In describing the political climate during this time, Reporter Jeff Shapiro wrote: "Democrats yesterday rammed through the re-election of Speaker Thomas W. Moss, Jr of Norfolk, capping a day of legislative WrestleMania that Republicans said wrongly denied them an equal say in an almost evenly divided House" (Shapiro, 1998; Atkinson, 2006).

The Republicans eventually came out with another power sharing agreement. They were granted equal membership on committees, equal membership on panels, and bipartisan co-chairmen on the House Rules Committee. The power sharing agreement was very similar to the one that was seen two years earlier (Atkinson, 2006).

Also in the 1998 session, the General Assembly went past the adjournment date, and was called into a special session due to Gilmore's car tax issue and the issue of aid to local school construction. The phase out of the car tax was a controversial measure. As the economy started to decline during the Gilmore administration, many funds that were

necessary for Virginia citizens were earmarked for car tax relief (Atkinson, 2006).

However, the car tax legislation was passed by a Democrat controlled legislature.

In the 2000 election, the Republicans captured both the House of Delegates and the Senate. While this may have been Gilmore's goal, Frank Atkinson explained: "Gilmore quickly found that working with a legislature controlled by the chief executives own party can be harder than building coalitions across the party lines" (Atkinson, 2006). Gilmore would even find that during the 2001 session, the legislature would experience a budget impasse. Delegate Clifton Woodrum (Republican) described the political climate by saying: "It took Republicans 100 years to take control of the General Assembly, but only took one year to show them why it took 100 years" (Woodrum, 2004, Atkinson, 2006).

The economy shifted during the Gilmore administration as a result of the September 11th attacks. During this time, Gilmore signed a bill to reduce state spending in all agencies except education. Additionally, Gilmore signed a bill that reduced tuition at public universities by 20%. During this time, he passed charter school legislation, and Virginia was able to start allocating lottery profits to public schools. The term was plagued by economic uncertainty, and budget shortfalls became apparent.

As mentioned above, the Gilmore administration operated under unified and divided government. For the first two years of his term, Gilmore was faced with a Democratic legislature. In 2000, the midpoint of his term as Governor, the Republicans took over both the House of Delegates and the Senate.

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The Mark Warner Administration: January 14, 2002 – January 14, 2006

In the Governor's race of 2001, the Republicans were challenged with a dynamic businessman, Mark Warner. Mark Warner had little political experience (he worked as a staffer during the Wilder campaign), but was successful in the business world; he made a fortune in the cellular phone industry. Mark Warner had run against Republican John Warner for the United States Senate in 1996, but was defeated by the veteran Senator. As Warner approached the Governor's race, he faced a Republican leaning electorate. Warner began to build relationships in rural and Southwest Virginia. At that time, Virginians were looking for a Governor that could provide "sound fiscal management for the state" (Atkinson, 2006). While Mark Warner has clinched the Democratic nomination, Mark Earley and John Hager were battling for the Republican nomination. There was turmoil in the Republican Party at this time. In the previous legislative session Governor Gilmore had battled with John Chichester, Chairman of the Senate Finance Committee, over budget issues that led to division within the Republican Party. Warner won the Governor's race in 2001 due to his own positioning, conflicts within the Republican Party, and large campaign spending (Atkinson, 2006).

Mark Warner worked with the business community to reform the tax code as taxes were lowered on sales and food. When Warner came onto the scene, he brought with him Democratic popularity. There were also more Democrats elected to the General Assembly. Many historical events shaped Warner's term as Governor. There were natural disasters (most notably Hurricane Isabelle), increased illegal immigration, a string of sniper attacks, and outbreak of killer viruses. The global economy was in distress, and the nation was in recession. The aftermath of the September 11th terrorist attacks left

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Virginia with a $6 billion dollar biennial budget shortfall. In order to fix the shortfall,

Warner would have to convince a Republican led legislature to pass a $1.4 billion tax

increase package. The tax package was passed, but it happened two months after the

legislature adjourned, and 17 Republicans in the House of Delegates voted for the

increase, which meant that they broke with the traditional party platform. Due to the

downturn in the economy in 2004, Warner capped the car tax that was introduced in the

Gilmore administration. Warner entered the 2004 legislative session proposing many tax

increases in his executive budget. He promised that he would veto parts of the Budget

Bill/Appropriations Act if there were not revenue increases incorporated into the Act.

The tax increases were put into place in the following years, Virginians saw the economy

rebound.   There was a billion dollar plus budget surplus. Warner received high approval

ratings. In Warner's final 2005 State of the Commonwealth address, he added, "We've

shown here in Virginia, Democrats and Republicans can come together, put politics

aside, and make tough decisions when times demand it. We began where the need was

the greatest, with the budget. Together we made the tough choices necessary to balance

the budget. We cut spending. We cut the size of the state workforce. We consolidated

agencies" (Aktinson, 2006).

  Governor Mark Warner was faced with a Republican legislature throughout his

term as Governor. Frank Atkinson described the political ideology of Warner by saying:

"Mark Warner's election in 2001 and popular tenure as Governor signaled that a

Democrat could not only win in the Republican- leaning Commonwealth by eschewing

partisan politics as usual and clinging to the 'sensible center'..." (Atkinson, 2006).

The Timothy Kaine Administration: January 14, 2006 – January 16, 2010

Tim Kaine was inaugurated as the 70th Governor of Virginia on January 14, 2006.
Kaine had political experience due to his service as the Lieutenant Governor during the
Warner administration and his role as Mayor of Richmond from 1998 to 2000. Tim Kaine
was once thought of as a true liberal, but he began to align himself centrally like Warner.
Since the economy had rebounded and the budget battles were long forgotten, Virginia
constituents praised Democrats. Warner left the office with eighty percent approval
ratings. Since he was not able to run for Governor again, Warner needed to designate a
successor. There were two main factors that helped Tim Kaine conquer the Governor's
mansion: the popularity of the Democratic incumbent Governor (Mark Warner), and the
negative ads that were being aired by his Republican opponent, Jerry Kilgore.

On January 31, 2006, shortly after taking over as Governor, Kaine was tapped to
deliver the Democratic response to the State of the Union address. He pointed out the
need for bipartisanship in Washington and criticized the Bush on taxes. Kaine urged for
bipartisanship at home as well. During his administration, he faced a Republican majority
in both the Senate and House of Delegates.

From the beginning of his term, Kaine had his own political party difficulties. In
2006, the legislature failed to pass a budget before the legislative session ended in March.
The debate centered on transportation projects and the funding structure for these
projects. Most of the criticism came from the Republican controlled legislature - at the
time led by John Chichester (Senate) and William Howell (House of Delegates).

Tim Kaine commented on bipartisanship by saying: "I am committed to working
in a bipartisan way with the Senate and House of Delegates to address our transportation

challenges in a serious way during this session" Governor Kaine concluded, "If we have the courage to undertake these funding solutions, we can double transit funding; fund community choices, increase local and regional highway construction by 90%, protect our existing infrastructure and seek long-term, innovative transportation solutions" (Kaine press release, 2006).

The legislature was called back into a special session that carried into June. The debate was over a transportation package that would improve the transportation infrastructure in the Northern Virginia and Tidewater areas. At that time the legislature was controlled by Republicans while the Governor was a Democrat. The legislature and the Governor finally came to a decision on the transportation package in 2007.

Also during his tenure as Governor, Kaine would lead Virginia through a heartbreaking historical event – the Virginia Tech Massacre. The Virginia Tech Massacre took place on April 16, 2007, and 32 students were killed on the campus. Kaine appointed a panel to determine the University's knowledge of events leading up to the massacre. From the recommendations of this panel, executive orders were signed into law dealing hand gun sales to mentally ill individuals.

As mentioned, Governor Tim Kaine was faced with a Republican-led legislature. The veteran Senators and Delegates (such as Chichester and Howell) initially gave Kaine pushback for his transportation initiative, but by 2007 it was passed by the legislature with modifications. In 2008, the Senate became led by Democrats, but the Republicans still held majority of the legislature. While Kaine faced a Republican legislature, all political parties came together during the Virginia Tech Massacre. Newspapers showed pictures of both Governor Tim Kaine and Republican Attorney General Bob McDonnell

unified to show support for the Commonwealth of Virginia when the citizens needed it most.

The Robert McDonnell Administration: January 16, 2010 to Present

Robert McDonnell was sworn in on January 16, 2010 to become the 71st Governor of Virginia. He won the election with 59% of the vote. McDonnell ascended to the Governor's mansion after serving in the House of Delegates and as the Attorney General of Virginia. When McDonnell took office, he inherited a budget with a $1billion shortfall. He brought Republicans and Democrats together to close this budget gap without raising taxes on the citizens of Virginia. By the beginning of his second year as Governor, he created a $400 million surplus, and 3% bonuses were given to state workers that had not received raises in over five years. However, a $620 million payment was deferred to the Virginia Retirement System (VRS) to account for the state's payment into the retirement fund (Shapiro, 2011).

In 2010, McDonnell released a plan to sell Virginia's 332 liquor stores (Kumar, 2010). McDonnell did not believe that it was appropriate for the state to be involved in the sale of liquor. The sale of these liquor stores would finance the transportation initiative that the state needed. However, without the revenue from liquor sales, Virginia would lose approximately $248 million a year. McDonnell proposed calling a Special Session of the legislature to discuss this proposal in November 2010. Instead of calling a Special Session, the Governor decided to appoint a work group to look into privatization. On November 23, 2010, the Joint Legislative Audit and Review Commission (JLARC) released a report that showed the privatization proposal overstated revenues that would be generated from the sale. All plans to go forward with the privatization of the liquor

stores were put on hold for the current time while McDonnell searched for other alternatives. In the 2011 legislative session, the proposal by McDonnell was voted down within the first two weeks of the session (Kumar, 2011). This could be seen as a legislative defeat for McDonnell, but the proposal may be reworked and presented again in the 2012 session.

Aside from the ABC privatization issue, Bob McDonnell has worked with a Democratic Senate and Republican House of Delegates to pass 80% of the legislative proposals that were presented in the 2010 session. In 2011, McDonnell produced a $300 million budget surplus and once again passed an impressive 92% of legislative proposals (2011 Appropriation Act).

In the previous section, the political and economic climate in Virginia was traced from 1980 to 2010. The section highlights major issues and initiatives that Governors and their administrations hold as their legacies. Also in the section, legislative makeup for each of the administrations is addressed in an effort to understand the political climate. The following section will explain the budgeting process and move into specifics about the Virginia budget.

The State Budget-Making Experience

The budget is the spending plan for the state. The budget identifies program priorities for the Governor and for the legislature. The state budget includes revenues, expenditures, and capital outlays for a 12 to 24 month period (Binder, 2002). The budget allows agencies to spend money through appropriations. Appropriations are the legal authority to spend money. Agencies are not allowed to spend money unless they have an appropriation (Binder, 2002).

All states, with the exception of Vermont, have policies that dictate the levels of their general fund balance and define their balanced budget requirements. Many of these policies differ. Within the spectrum of these policies, the weakest requires that the Governor submits a Budget Bill Plan, the legislature confirms the plan, and the budget must be in balance. States that have this type of balanced budget requirement are: Illinois, Louisiana, Massachusetts, New Hampshire, New York and Nevada (NCSL Report, 2010). The next group is allowed to run a deficit for the year, but the deficit must be balanced by the following fiscal year. States that are allowed to carry over the deficits include: Alaska, California, Connecticut, Maryland, Michigan, Pennsylvania, and Wisconsin (NCSL Report, 2009). The final group cannot carry over deficits at the end of the fiscal year, and includes all states that are not mentioned above. Virginia is in the group that cannot carry over budget deficits.

These states must make adjustments to taxes and spending to ensure that their budget is balanced (NCSL, 2009). The National Conference of State Legislatures conducted an analysis of the fifty states that shows whether they have a constitutional or statutory law for the budget to be balanced. The Commonwealth of Virginia has a statutory law for the Governor to balance the budget, and the legislature must pass the budget. In addition, Virginia is not allowed to carry over a deficit (NCSL, 2009).

Virginia: The Executive and Legislative Branches in the Budget – Making Process

Executive Branch: The Virginia Governor

The Virginia Governor serves a four year term and is considered the Chief Executive of the Commonwealth. For Virginia, Governors must have the following qualifications: they must be United States citizens that have lived in Virginia for at least five years, and they must be at least 30 years old. Also, Virginia Governors are only allowed to serve one consecutive term. Therefore, incumbent Governors are not allowed to succeed themselves. In recent Virginia history, Mills Godwin served as Governor for two terms, but these were not consecutive terms. As of 2011, Virginia is the only state where Governors are not allowed to serve consecutive terms.

There are many powers held by the Governor of Virginia. The Governor has veto power. The bills from the General Assembly are sent to the Governor to become laws (as with the Budget Bill). The Governor also has the power to make line-item vetoes. Often, the Governor will send the Budget Bill back to the legislature with amendments and recommendations. The Governor also has the ability to fill vacant positions and make appointments. Many of the powers of the Governor are balanced with the power of the legislature. For vetoes, the General Assembly can override the veto by a two-thirds vote in each house.

Legislative Branch: The Virginia General Assembly

The Virginia General Assembly is the legislative body of the Commonwealth of Virginia and is a bicameral legislature. There is a lower house called the House of Delegates and an upper house called the Senate. In total, the Senate and House of Delegates have a total of 140 members that represent constituents across the

Commonwealth. The Speaker of the House presides over the House of Delegates and the Lieutenant Governor presides over the Senate. The Senate serves four year terms and there are no term limits on Senators. The House of Delegates serves two year terms, and there are no term limits.

The General Assembly dates back to 1619 when the House of Burgesses met at Jamestown. It became the Virginia General Assembly in 1776 when the Virginia Constitution was ratified. The Virginia General Assembly is a part time legislative body. In even-numbered years, the legislators meet for the "long" session and in odd-numbered years they meet for the "short session" (Department of Planning and Budget website, 2009).

History of the Virginia Budget and the Department of Planning and Budget

For over 150 years, the General Assembly prepared, introduced, and enacted the "Appropriation Act", and public resources were allocated based on the information in the Appropriation Act. Throughout the early years of the 20th century, the idea of an executive budget arose nationwide. In 1916, a Virginia legislative study commission suggested that Virginia adopt a budget system. In 1918, Governor Westmoreland Davis supported this idea, and moved forward with the adoption of the Executive budget system. The Governor and the General Assembly prepared the first Virginia budget in 1920. A Division of Budget was established in the Governor's Office in 1922 with the sole purpose of preparing the state budget. In 1938, the General Assembly established the Virginia State Planning Board. At one point, the Division of Budget was responsible for managing state records, administering state personnel functions, and conducting

architectural activities. Since this time, these functions have been spun off to the Library

of Virginia, Department of Personnel Training, and the Department of General Services.

After the Division of Budget was divided, the division had a very small staff. The

staff included a director, assistant director, office manager, and clerical staff. Staff from

the Division of Personnel was assigned every two years to assist with budget preparation.

Eventually, the Division of Budget would hire consultants to review and revise budget

requests.

In 1976, the Division of Budget and the Division of State Planning and

Community Affairs were merged into the Department of Planning and Budget. With the

merging of these two agencies, budgeting and planning of state functions were brought

together.   The director of the Department of Planning and Budget (DPB) reports to the

Governor through the Secretary of Administration and Finance.   Since 1976, the

reporting structure of DPB has changed many times. The DPB still works in the same

capacity today, and serves a pivotal role in the budget making process (as you will see

below in the Explanation of Budget Cycle section) (Information found on the Department

of Planning and Budget website, 2009). The mission statement for the Department of

Planning and Budget is as follows:

We advise the Governor in the prudent allocation of public resources and promote the
development and implementation of fiscal, legislative, and regulatory policies that
maximize empowerment of Virginia's citizens and minimize their dependence on
government *

* Mission statement taken from the DPB FY10 Strategic Plan (DPB Website, 2009).

Explanation of the Virginia Budget Cycle

Virginia has a biennial budget system. The biennial budget means that a budget

must be passed each year. The first year of the budget is the "original" budget, and the

second year of the budget is the "amended" budget. The biennial budget is enacted on

even number years and the amendments are enacted on the odd-numbered years

(Department of Planning and Budget Website, 2009).

In the Figure 2, you will see there are many stages that take the "Budget Bill"

from a proposed document to an adopted document "Appropriation Act". The five stages

of the Budget Development are listed below with explanations of each phase. Budget

development takes place each year. These stages will show how the Governor,

legislature, and state agencies must work together to prepare the budget document.
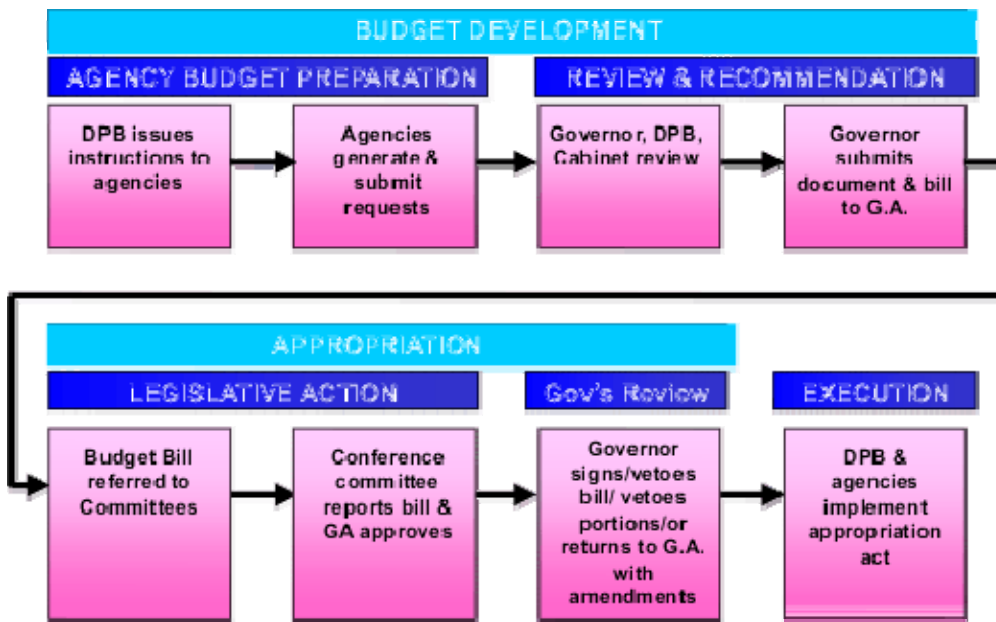
Figure 2: Five Stages in Virginia Budget Development (Source: Department of Planning and Budget Website, 2009)

Agency Preparation: Individual agencies analyze their programs using strategic

planning. This review includes analyzing the mission and the needs of the constituents.

From this review, the agencies submit their funding requests to the Department of

Planning and Budget.

Budget Development Phase: The Department of Planning and Budget reviews the budget requests to verify the costs, and determines if the services requested are reasonable. During this time, the Governor and cabinet secretaries will work together to create a proposed budget that identifies policy and outlines the priorities of the Governor's administration. The Governor then submits the Budget Bill to the General Assembly. The "Budget Bill" is a legal document listing budget appropriations at a detailed line item level.

Legislative Action Phase: The proposed Budget Bill is submitted to the General Assembly in the form of a bill. On the House side, the bill is reviewed in a subcommittee called the House Appropriations Committee (HAC). In the Senate, the Budget Bill is reviewed by the Senate Finance Committee (SFC). At this stage, the committees may add amendments to the Budget Bill. After each committee reviews the bill, it is brought to the floor for a vote. Once the Budget Bill has been passed in one house, it crosses over to the other side for consideration by the other legislative body. If the two versions of the bill are different, the bill will go into a conference committee where the differences in the bill will be analyzed. After the differences are reconciled, the bill is sent to the Governor. If the Governor is in agreement with the bill, the Budget Bill is adopted and signed into law.

Budget Execution phase: A budget passed by the General Assembly goes into effect on July 1 of even-numbered years (Department of Planning and Budget Website, 2009).

The General Assembly then sends the Budget Bill to the Governor for his signature. The Governor will analyze the Budget Bill that is passed by the General Assembly, and has the opportunity to sign, veto, or recommend amendments. If the

Governor vetoes the bill, it will be sent back to the General Assembly in a reconvened session. At this stage, there will be consideration by the General Assembly on proposed amendments. If the bill is signed, it becomes the "Appropriation Act" and becomes law (Department of Planning and Budget website, 2009).

Description of the Budget Bill/Appropriation Act

In Virginia, the state budget is divided into the operating and capital budget. The operating budget consists of expenses that are used for the daily functions of the government. The capital budget is used for onetime costs such as repairing or acquiring facilities. A Joint Legislative Review and Audit Commission study describes the Virginia budget by saying: "The Virginia budget is a complex instrument that channels money from many different sources to a wide variety of functions and programs. It incorporates numerous trends and changes into a single dollar figure, representing all state government activities, and is perhaps the single most important statement of policies and priorities for Virginia" (JLARC, 2009).

For this study, only the operating budgets will be examined. The revenue used for the operating budget comes from many different sources: taxes, grants, fees, sales, transfers and carryover balances. Revenues must be broken into two sources: general and non-general funds. The majority of state revenues are "Non-general fund," which are earmarked for specific purposes. For example, student tuition fees are only used for supporting higher education. General fund revenues come from direct payments from business or citizens. Allocating these General Funds is a frequent source of conflict as these monies may be used for a mixture of programs. All uses for this money must be approved by the General Assembly and the Governor. In fiscal year 2009, the Virginia

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Budget consisted of 41.3% general funds, and 58.7% non-general funds (Department of Planning and Budget, 2009)

It is important to understand how the state generates general fund revenues. For example, the general fund revenues for 2008-2010 were $30 billion. There are three major areas where the revenues are generated: individual income taxes, corporate income taxes, and sales/use taxes. Individual income tax refers to taxes that are paid by citizens on their income. Corporate income taxes are the taxes paid by businesses and corporations on their income, and sales/use tax is the tax paid by citizens on the goods they buy. For 2008-2010, the state collected $19.7 billion in individual income taxes, $1.4 billion in corporate income taxes, and $6.1 billion in sales/ use taxes. Other revenue sources included: $540.6 million from taxes paid by insurance companies on premiums, $596.2 million from wills, estates, deeds, and contract fees, and $186.7 million from public service receipts taxes (these are taxes paid by public utility companies).

While much attention is paid to the state general fund revenues, it is also important to know how non-general funds are generated. The non-general funds are the majority of the revenues that are generated, but it is less controversial because the funds are typically earmarked for specific purposes. The largest source of non-general fund revenue comes from federal grants. The federal government often has mandates that have program requirements as a stipulation for the grant and states often have to provide matching funds. The second largest source of non-general funds is generated from institutional revenue. The typical sources of institutional revenue are patient fees at teaching hospitals and tuition/fees at public universities.

In order to determine the amount of revenue that will be generated, a revenue forecast must be done. The revenue forecast is done before the beginning of the budget cycle. The forecast projects the amount of revenues that will be available that fiscal year based on laws and regulations (NCSL Report, 2009). In Virginia (as well as 28 other states) there is a council of economic advisors that provide assumptions for the revenue forecast. This estimate is used to determine the amount of revenue that will be generated that affects the Governor's budget. The revenue that is generated is then budgeted for expenses.

Figure 3 shows the expenses for both non-general and general funds in the Commonwealth of Virginia for 2008 through 2010. As you can see, Education receives the largest share of funding with 39.4%. Health and human resources receives 27.7% of the funding. From this chart of total expenses, the following charts will show general and non-general fund expenses.
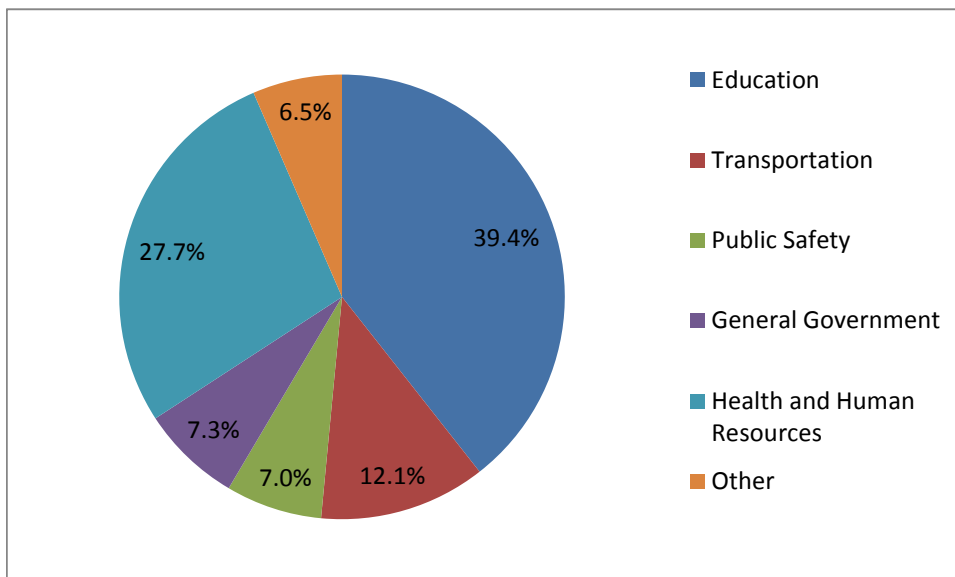
Figure 3: Breakdown of General Fund Expenditures (Source: Department of Planning and Budget website, 2009)

The majority of general fund revenues are dedicated to Education, Health and Human Resources, Transportation and Public Safety. Generally speaking, the amount of general fund revenues spent on Education is not usually a source of controversy. The constitution binds the General Assembly with providing funding for the Standards of Quality that are mandated by the Board of Education. Most of the general fund revenue dedicated to Education is non-discretionary. That said, there are some discretionary Education expenditures, but they are small compared to the mandated Standards of Quality related expenditures. Health and Human Resources makes up 24% of general fund expenditures. Health and Human Resources expenditures are more discretionary than Education related expenditures. A portion of the Health and Human Services expenditures are federally mandated programs (i.e. Medicaid), but a larger portion is discretionary. This discretionary nature tends to lead to more debates in legislature.

Breakdown of Non General Fund Expenditures

In Figure 4, there is a breakdown of non-general fund expenditures. As mentioned above, these funds are earmarked for a specific purpose. Education receives the majority of these funds with 34.5%. Health and Human Resources receives 20.9%, and Transportation receives 20.9%. Non-general fund expenditures are less controversial, and often debated less.

It is important to understand the makeup of the operating budget. The operating budget consists of non-general funds as well as general funds. There is a considerable amount of examination of the allocation of general funds because the General Assembly and the Governor have the greatest amount of authority over these funds. Budget delays

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can be affected by controversy over the general fund. Each legislator has an incentive to spend these monies in the most beneficial manner for their constituents.

Categories	% of General Fund Expenditures	% of Non-General Fund Expenditures
Education	45.9	34.5
Health and Human Services	24.2	30.3
Transportation	Less than 5	20.9
Public Safety	11.1	3.9
General Government	13.9	2.4
Other	4.7	7.9

Figure 4: Breakdown of General Fund and Non- General Fund Expenditures

Virginia and the Necessity for this Study

The purpose of this study was to identify which factors influence the Legislature's ability to pass a budget on time using data from Virginia and 13 other states. There were eight reasons that this study was necessary in Virginia.

First, there was a history of delays in passing the budget in Virginia. This study conducted an in-depth analysis of the factors that impacted the legislative session over the last 30 years. The 30 years were analyzed to determine whether, over a multi-decade period, there were any factors that had a large impact on the timing of budget passage. It was speculated that budget delays were the result of low general fund revenues, large proposed projects that are controversial in nature, or opposing political party views. That said there has yet to be any concrete evidence to support these.

Second, constitutionally, like other states, Virginia is not allowed to carry a budget deficit into a fiscal year. As such, a budget impasse must be resolved, or a

government shutdown will occur. This budget constraint can have an impact on Virginia's ability to pass a budget.

Third, throughout the time period of the study, Virginia had various combinations of opposing parties in control of the Executive and Legislative branches.   This division of power allowed the researcher to analyze the effect of a divided government.   Since 1998, Virginia has only had a unified government (i.e. the Executive and a majority of legislature from the same party/both houses of the legislature from the same party) for four out of 12 years. Therefore, for a majority of the years in this study, Virginia had a divided legislature.

Fourth, since the 1980s, there have been many fluctuations in the Virginia economy and fiscal health. Some years, Virginia has functioned with a surplus, while in other years, Virginia ran a deficit. The economic patterns over time allowed the researcher to determine how the economic trends affected the state budget.

Fifth, when compared to other states, Virginia ranks sixth in terms of the amount of individual income taxes that are used to generate state revenues. Virginia is following closely behind: Oregon, Maryland, Massachusetts, North Carolina and New York. Virginia has a high percentage of state revenues that are derived from individual income taxes. When individuals are taxed more progressively, there is more need for budget and government transparency at the state level. With high tax levels, constituents want their government to be accountable and efficient. Producing a budget on time, without a shutdown, will ease constituent concerns.

Sixth, Virginia is one of the few states where the Governor submits the budget to the legislature prior to the General Assembly session.   On April 14, 1998, Section 2.2-

1510 was added to the Code of Virginia to address public budget highlights and public hearings.

§ 2.2-1510. Publication of budget highlights; public hearings.

A. The Governor shall ensure that a summary of the highlights of each budget submitted pursuant to § 2.2-1508 and set of amendments submitted pursuant to subsection E of § 2.2-1509 are sent to a newspaper of general circulation in the following geographical areas of the Commonwealth: Northern Virginia, Hampton Roads, Richmond/Petersburg, Central Virginia, Shenandoah Valley, Roanoke Valley, Southside, and Southwest Virginia prior to the convening of each session of the General Assembly.

B. The House Committee on Appropriations and the Senate Committee on Finance shall hold at least four regional public hearings on the budget bill submitted by the Governor. The four public hearings shall be held prior to the convening of such session of the General Assembly, at hearing sites and times as selected by the chairmen of the two committees.

Code of Virginia (1998, c. 467, § 2.1-399.2; 2001, c. 844.)

Therefore, the Governor submits the budget in the middle of December, but the General Assembly session does not start until the second Wednesday in January. The Governor's early submission is done so that public hearings across the Commonwealth can take place and public input can be communicated. This early submission is unique to Virginia. Therefore, the Virginia budget should reflect the needs of the constituents.

Seventh, the Virginia General Assembly session is short compared to other part-time legislative sessions. A Joint Legislative Audit and Review Commission (JLARC) study revealed that the Virginia General Assembly session is one of the shortest in the nation. Therefore, the General Assembly has a very short time frame to pass a complex budget compared to other states. If these factors are identified, the legislature could go into the annual session knowing what obstacles they may face in terms of political/economic factors and the gridlock over the Budget Bill. These findings may assist the General Assembly in making an efficient use of their limited time.

Finally, recognizing that Virginia is only one of fifty states in the nation – many of which have had similar issues with budget passage, this study was expanded to include 13 other states that are structurally similar to Virginia in an effort to broaden the scope of the study. Doing so allowed the researcher to determine if the impact of the variables had an impact on the timing of the passage of the budget in Virginia and the 13 structurally similar states. As such, this study can be useful to researchers analyzing budget delays in other states as well as Virginia.

Main Factors that Influence Passage of Budget

There are several factors that can impact the passage of the budget. Previous scholars have identified different political and economic factors that could cause the budget to be delayed at the state and federal level.

One of the main political factors is a divided government. A divided government can occur in two ways. First, a divided government occurs when the Executive and the majority of Legislature are from different political parties. This is also referred to as "split branch government". Second, a divided government occurs when majorities in both houses in the legislature are from opposing parties. In Virginia, this means that the Senate and the House of Delegates are ruled under different majority leadership. The existing literature on divided government is inconclusive, and shows that in some cases, a divided government causes legislative gridlock (Edwards and Peake, 1997; Howell et al, 2000; Alt and Lowry, 2000; Rogers, 2005) while in other instances it does not (Mayhew 1991, 2005; Binder 2003).

There are other political factors that can impact the passage of the budget. Party polarization refers to the distance between the views of the policy makers in each party of

the legislature.   Along with party polarization, party turnover can affect the passage of the Budget Bill. The strength of the majority can also affect the political makeup of the government. The strength of the majority is the amount of political party members that the majority party has compared to the minority party.   These factors could cause gridlock to exist in the legislature.

Additionally, economic factors can influence the Budget Bill. The economic climate during the time of the budget session could influence the amount of money there is to spend. There are many ways to measure the economic factors within the state to determine the fiscal health during a certain time-range.

Overview of Present Study

It was apparent that many states did not have balanced budgets at the end of the fiscal year. The researcher conducted a 50 state analysis to determine the appropriate states to analyze for a study on the political and economic factors that impacted budget passage in various states in an effort to learn more about Virginia. Information from the National Conference of State Legislatures (NCSL), National Governors Association (NGA) and the National Association of State Budget Officers (NASBO) were used for this analysis. The researcher gathered information on all states based on the following criteria: percentage of budgets that passed after the legislative deadline (specific to each state), type of budget (biennial/or annual), type of legislature (full-time or part-time), maximum term limits for Governors (if any), and political party of the Governor.

The researcher wanted to determine which states were structurally similar to Virginia. First, 50 states were analyzed to determine which states have a biennial budget and a part-time legislature similar to Virginia. The researcher found that 17 states,

including Virginia, had both a biennial budget and a part time legislature. These states

included: Arizona, Connecticut, Indiana, Kentucky, Maine, Minnesota, Montana,

Nebraska, Nevada, New Hampshire, North Carolina, North Dakota, Oregon, Texas,

Virginia, Washington, and Wyoming. Further research showed that in Oregon and

Nevada the legislature met only bi-annually so they were omitted from the study. Also,

Nebraska has a unicameral legislature so it was omitted from the study. This left the

researcher with 14 states in the data set.

Based on this 14 state data set the researcher then evaluated the remaining states

on other applicable criteria including budget passage rates and political party control of

each state. The researcher wanted the population of states to be evaluated based on a

goal of including a range of budget passage rates and a varying political party control

within the data set. It was found that all 14 states met those requirements, and should be

included in the study. There was a range of budget passage rates from zero to eighty

percent. Also, there were seven Republican-controlled states, and seven Democratic

controlled states. In Figure 5 that follows, based on those criteria, the researcher found

the following states to be applicable for the study: Arizona, Connecticut, Indiana,

Kentucky, Maine, Minnesota, Montana, New Hampshire, North Carolina, North Dakota,

Texas, Virginia, Washington, and Wyoming. On the following page, there is an analysis

of the states selected, and all the information they were evaluated on in the analysis.

Each of the 14 states will be evaluated against the following variables over a 30-year

period, (from 1980-2010): divided political parties, the election cycle of the Governor,

economic conditions, and political party influence in an effort to draw conclusions about

the impact of political and economic factors in the Commonwealth of Virginia.

States	Biennial/Annual Budget	Max Years a Governor can Serve (Consecutively)	Full/Part Time	Legislative Session (Calendar Days)	Legislature	Governor Party Control in 2010
Arizona	Biennial	8	Part	100	Bicameral	Republican
Connecticut	Biennial	unlimited	Part	6 months	Bicameral	Republican
Indiana	Biennial	8	Part	61-odd, 30 even	Bicameral	Republican
Kentucky	Biennial	8	Part	odd - 30, even - 60	Bicameral	Democratic
Maine	Biennial	unlimited	Part	no requirement	Bicameral	Democratic
Minnesota	Biennial	unlimited	Part	120	Bicameral	Republican
Montana	Biennial	8	Part	90	Bicameral	Democratic
New Hampshire	Biennial	unlimited	Part	45	Bicameral	Democratic
North Carolina	Biennial	8	Part	no requirement	Bicameral	Democratic
North Dakota	Biennial	unlimited	Part	80	Bicameral	Republican
Texas	Biennial	unlimited	Part	140	Bicameral	Republican
Virginia	Biennial	4	Part	30-odd, 60 even	Bicameral	Republican
Washington	Biennial	8	Part	105-odd, 60 even	Bicameral	Democratic
Wyoming	Biennial	8	Part	40 - odd, 20 even	Bicameral	Democratic

Figure 5: States Selected for Study

<center>**CHAPTER 2: Literature Review**</center>

Introduction

There is a long history of research on factors that influence legislative gridlock at the federal and state level. Past research has found that a divided government, party polarization, cohesive political parties, and the economic climate can all have an impact on the speed at which legislation is passed for both state and federal legislatures. At the state level, interest groups and intra-party conflicts have more of an impact on legislative productivity than they do at the federal level. Below, the researcher reviewed past studies on divided governments, party polarization, political parties, interest groups, the role of the executive, and the economic climate on legislative gridlock.

Definition of a Divided Government

The impact of a divided government will be discussed throughout this study. More specifically, this study will refer to two types of divided governments: divided legislatures and split branch government. For purposes of this paper, a divided legislature will refer to a period of time when the chambers in the state legislature are ruled by different political parties (Rogers, 2005; Binder, 1999). For example, in Virginia, if the House of Delegates and Senate were ruled by different majority parties, this would be considered a divided legislature. Split branch government will refer to a time when the Executive and Legislative branches are ruled by different parties (Alt and Lowry, 2000). For example, if the Governor is a Republican both the Senate and the House of Delegates would need to be controlled by Republicans in order to be classified as a "unified government." If any of these three branches are controlled by a different political party this time period will be considered a "split branch." Alt and Lowry (2000)

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defined split branch government as a time when different parties control each branch of government. Unless otherwise noted throughout the paper, "divided legislature", "unified government", and "split branch government" will be used in the manner described above.

To further describe the concept of a divided government Figure 6 summarizes time periods in the state and federal government, and determines if the time periods were a time of split branch, divided, or unified government.

Years	Full Legislative Majority	Party of the VA Governor	Split Branch/Unified Government
1998-2000	Democrats	Republican	Divided
2000-2002	Republican	Republican	Unified
2002-2004	Republican	Democrat	Divided
2004-2006	Republican	Democrat	Divided
2006-2008	Republican	Democrat	Divided
2008-2010	Republican	Democrat	Divided
2010-2012	Republican	Republican	Unified

Years	Majority in House of Delegates	Majority in Senate	Divided/Unified Legislature
1998-2000	Split Majority	Republican	Divided
2000-2002	Republican	Republican	Unified
2002-2004	Republican	Republican	Unified
2004-2006	Republican	Republican	Unified
2006-2008	Republican	Republican	Unified
2008-2010	Republican	Democrat	Divided
2010-2012	Republican	Democrat	Divided

Figure 6: Party Control in Virginia 1998 – 2012 (Source NCSL, 2010)

Year	Congress	Legislative Majority	Party of the President	Split Branch/Unified Government
2009	111th	Democrat	Democrat	Unified
2007	110th	Republican	Democrat	Divided
2005	109th	Republican	Republican	Unified
2003	108th	Republican	Republican	Unified
2001	107th	Democrat	Republican	Divided
1999	106th	Republican	Democrat	Divided
1997	105th	Republican	Democrat	Divided

Figure 7: Party Control at the Federal Level 1997-2009 (Source, NCSL, 2010)

Gridlock: Legislative Standstills, Federal Level

Since World War II, split branch governments and divided legislatures have become the norm in the United States. Between 1946 and 1990, there were 26 years where the Presidency, the Senate, and the House were split (Mayhew, 2005). Additionally, Figure 1 shows that the Virginia legislature has been split several times in the last decade (NCSL, 2010).

When a government is divided, it is expected that a "stalemate" or "deadlock" will set in. In a 1969 study, Randall Ripley indicated, "To have a productive majority in the American system of government, the President and a majority of both houses must be from the same party. Such a condition does not guarantee legislative success, but it is necessary for it" (Mayhew, 2005). In addition, V.O. Key wrote, "Common partisan control of executive and legislature does not assure energetic government, but division of party precludes it" (Mayhew, 2005). Another leading political researcher wrote: "We

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have been too much entranced by the Madisonian model of government. The system of checks and balances and interlocked gears of government requires consensus of many groups and leaders before the nation can act. We underestimate the extent of our system was designed for deadlock and inaction" (Peake 1997).

David Mayhew's (2005) work on divided government has been critiqued and reexamined. Mayhew defined "divided government" as different parties controlling the Executive and Legislative branches. Mayhew claimed that a divided government does not have an effect on legislative productivity. Mayhew's work occurred in two stages. These stages are referred to as Sweep One and Sweep Two (Mayhew, 2005). The first stage (Sweep One) looks at the annual end of the session wrap up articles from the New York Times and the Washington Post to survey judgments about the work of Congress during the session. Mayhew only looked at the legislation that was considered "landmark". Legislation was deemed "landmark" if the newspaper editors and Washington correspondents felt that it was an outstanding legislative accomplishment (Mayhew, 2005). Mayhew believed "landmark" legislation covers the most important laws passed in a Congress. The important laws had to be both innovative and consequential. From 1945 to 1992, Mayhew found that there were 212 pieces of landmark legislation. This averaged out to be about 12 enactments per year.

The "landmark legislation" was found in the wrap up articles of the Washington Post and the New York Times. These wrap up articles were written by noteworthy authors. For the New York Times, Mayhew looked at the authors such as John D. Morris, Martin Finney, and Steven Roberts (Mayhew, 2005). For the Washington Post, Mayhew looked at work by Robert Albright and Spencer Rich (Mayhew, 2005). The

authors would judge the importance of the enactments in each session, and compare these across past Congresses. Mayhew found that most authors mentioned the same enactments in their wrap up articles. The newspaper wrap up sessions were also supplemented by books and articles that covered the overall legislative record for that Congress.   Once the landmark legislation was identified, it would be categorized by year. Each year was analyzed to determine if government was "unified" or "divided" during that year. This information was analyzed by Mayhew, and charted in his book, *Divided We Govern*.

The second stage (Sweep Two) was to continue with the landmark legislation in Sweep One and analyze it further by using political experts. He used a political specialist to verify laws that were considered "landmark".   He then tested whether or not these laws were enacted under a divided government (Mayhew, 2005). The list of enactments from Sweep One generated 212 landmark enactments. Of these enactments, 21 were laws about taxes, 16 dealt with the environment, 13 about social security, 10 about agriculture, and 7 about foreign aid (Mayhew, 2005). Each of these enactments was broken down into its particular policy area. From each policy area, one policy specialist was identified. The policy area specialist identified whether the enactment was valid legislation (valid legislation was based on a ranking system that was designed by Mayhew). The policy specialist determined that 203 of the enactments were "valid legislation". The 203 enactments were then analyzed against the type of government that was in place during that specific time period (Mayhew, 2005).

The overall conclusion from Mayhew's work was that there was no effect of divided governments on legislative output. There were two limitations to the work that

was done by Mayhew. Mayhew only looked at legislation that was passed into law.

Therefore, he did not look at legislation that was introduced but not passed. Additionally,

he did not justify the "need" for a law to be passed at a particular time.

At the end of his work, Mayhew offers his three distinct types of counter patterns.

These patterns explain why the divided government (less legislation) hypothesis may fail:

Alternative variation over time: lawmaking and investigating display various ups

and downs that are unrelated to any pattern of unified versus divided control. In short,

based on the political environment, more significant legislation may be passed in one

year rather than another (just by chance) (Mayhew, 2005).

Constancy: in some cases, equal amounts of lawmaking always took place during

all two year election periods. Lawmaking/investigating may amount to one item after

another item, year after year (Mayhew, 2005).

Compensation: House and Senate members can gain electoral credit if they are

not a member of the President's party. If the House/Senate member is in the same party

as the President, the legislation will be categorized as part of the President's agenda

rather than the particular lawmaker. If the legislator wants to gain electoral credit, they

will pass their legislation through during times when they are in the opposing party of the

President. Mayhew describes this as the argument for compensation (Mayhew, 2005).

Most of the research that surrounds the divided government area starts with an

analysis of Mayhew. Below, many scholars will replicate the work of Mayhew, or

incorporate some type of variation on his study.

In 1997, George Edwards, Andrew Barrett, and Jeffrey Peake extended the work

of Mayhew in their study, "Legislative Impact on Divided Government". In contrast to

the work of Mayhew, they looked at the legislation that failed under unified and divided governments. They used the following hypothesis: "Divided government will be associated with the President opposing more legislation and with more legislation the President opposes failing to pass" (Edwards, Peake and Burnett, 1997). The researchers looked at significant legislation during the period of 1947 to 1992 that failed to pass. The researchers identified this "significant legislation" by looking at the Congressional Quarterly yearly almanac. The almanac has hundreds of pages of legislation that relates to Congress (Edwards et al, 1997). Once the legislation was selected, the researchers determined if there was a hearing on the legislation. Once that was determined, they determined which bills failed to pass. The researchers included amended legislation and treaties. "Significant legislation" was determined using a researcher judgment.

The researchers used a regression analysis to analyze the failure of legislation to pass from 1947 to 1992 at the federal level. Edwards, Barrett and Peake found that: the President opposed more significant legislation under a divided government. They also found that significant legislation fails more under a divided government than a unified government (Edwards, Barrett and Peake, 1997).

In 1999, Sarah Binder found that unified party control of government cannot guarantee that gridlock will not exist. Binder's work focused on divided legislatures. Binder looked at the effects of elections and institutions on policy outcomes in order to determine another cause for the gridlock. Binder looked at the distribution of policy preferences within the parties, between the two chambers, and across Congress. In order to test the policy preferences, Binder constructed a measure that assesses legislative output compared to the policy agenda. Binder (1999) used newspaper articles to identify

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legislative issues between 1947 and 1996 in the New York Times. The choice of the

New York Times was based on the idea that it is considered the nation's paper of record.

The New York Times reports on issues that affect Washington, and centers on public

problems. From the New York Times editorial pages, Binder extracted articles that

defined the issues of the political elite. She used the articles to determine the agenda

items for each Congress between 1947 and 1996. Then, she gave each agenda item a

score for each time that it was the subject of an editorial in the New York Times. For

instance, the Civil Rights Act of 1964 was editorialized 65 times in the New York Times.

When she had a list of all issues, the "political fate" for each issue was determined (the

choices were): died in committee, died in conference, or enacted, etc (Binder, 1999).

Gridlock scores were tabulated by determining the percentage of agenda items that were

not enacted by the close of Congress. Binder found that there was no significant

difference in agenda size under unified and divided control (Binder, 1999).

Binder used the following hypothesis for the basis of her study:

- o Divided party control of government increases policy gridlock, while
  unified control decreases gridlock;

- o The greater the polarization of the partisan elite, the higher is the level of
  policy gridlock;

- o The more cohesive legislative preferences, the lower is the level of policy
  gridlock;

- o The longer a new congressional majority has been out of power, the
  greater is its dissatisfaction with the status quo, and the lower is the level
  of policy gridlock; and,

o   The greater the policy difference between the House and Senate, the higher is the level of policy gridlock

Binder found that partisan polarization and ideological diversity both contribute to policy stalemate. Binder's results showed that policy change is less likely as the parties become more polarized, and the percentage of moderate legislators shrinks. There are limits to the power of political parties, and their ability to break policy deadlock. In addition, the longer a new congressional majority has been out of power, the lower is the level of policy gridlock under the new majority. When Binder looked at all the political variables, she noticed that of the four partisan/electoral variables, a change from unified to divided party control had the smallest effect on gridlock. Overall, she concludes, that unified party control of government cannot guarantee that gridlock can be broken in American politics (Binder, 1999). Thus, even if divided government influences legislative outcomes, it is not the sole cause of legislative outcomes.

In 2000, the work of Mayhew was once again revisited by William Howell, Scott Adler, Charles Cameron, and Charles Riemann in the article, "Divided Government and the Legislative Productivity of Congress, 1945-94." Instead of looking at just "landmark" legislation the researchers wanted to look at all 17,633 public laws that were enacted from 1945 to 1991 (Howell et al, 2000). They changed Mayhew's measurement style. Where Mayhew (2005) used a dichotomous variable, the researchers used one that would show the different levels of legislative importance.   The researchers extended the work of Mayhew by broadening the concept of significant laws and creating four new categories of measures that look at all laws enacted from 1945-1994. The four categories are: landmark enactments, major enactments, ordinary enactments, and minor enactments

(Howell et al, 2000). The researchers concluded that divided government decreases the production of enacted legislation by 30% when all laws are included (Mayhew only included "significant legislation" while Howell et al. looked at all public laws) (Howell, 2000).

Howell et al. also added recommendations for further research. These recommendations included: a more in-depth analysis of the theoretical foundations of the legislative productivity, less focus on politics of divided government, more of a focus on historical events, and to analyze the context of all bills rather than just determining the legislative productivity (Howell et al, 2000). The work of Howell, Adler, Cameron and Riemann expanded on the work of Mayhew, but also gave insight for further research.

In the study, "Party Polarization", by David Jones (2001), there is an analysis of legislative gridlock and party polarization. This study examines how party polarization and varying partisan seat arrangements affect the inability of government to enact significant proposals on the policy agenda. David Jones identifies the divided government hypothesis as the basis for his reasoning, and makes assumptions against it. The divided government hypothesis states that, "legislation is less likely to be enacted when the President's party does not hold a majority of the seats in both chambers of Congress" (Jones, 2001). Proponents of this hypothesis state that due to the separation of powers there must be policy agreement among the House, Senate, and President in order for a bill to become a law. There were three underlying assumptions in the divided government hypothesis:

1. The divided government argument implicitly assumes that passage in
   Congress requires only a simple majority in both Chambers.

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2. The divided government argument implicitly assumes that Congress and the President must agree in order to break the gridlock.

3. The divided government argument assumes that the two major parties have distinctly different policy preferences (Jones, 2001).

Jones offers that the argument of divided control of government leads to gridlock is based on the assumptions of: majority rule, absolute veto, and distinct parties. This can all be changed with the filibuster, veto override, and variations in party polarization (Jones, 2001).

After analyzing the divided government hypothesis, Jones offers a new hypothesis; Jones' hypothesis states that gridlock is caused between two partisan variables, party polarization, and party seat division (Jones, 2001). Jones used a set of legislative proposals that were proposed between 1975 and 1998. Party polarization was measured on a case by case basis as the absolute difference between the percentage of Democrats voting "yea" on a measure, and the percentage of Republicans voting "yea" on a measure. The party seat division was measured by the percentage of seats held by voting members of the President's party in a chamber at the time each proposal was considered. To test the divided government hypothesis, Jones identified which years were "unified" governments or "divided" governments. The results of the study were that higher party polarization increases the likelihood of gridlock (Jones, 2001).

Based on the findings in 1974-1998, Jones found that divided government did not have an effect on gridlock. Rather, higher party polarization was related to gridlock. Unified government was just as prone to gridlock as divided government when parties are highly polarized, and neither has a large majority.

In 2003, Sarah Binder continued her research on legislative gridlock with the book, "Causes and Consequences of Legislative Gridlock." Binder's book looked at the reliance on indicators of legislative productivity. She found that during the Nixon and Ford administrations (1969-1974), there were more enactments of laws than during other administrations. One reason for this increase in enactment was because these administrations were during wartime. She took a supply and demand approach to this analysis; demand was the size of the agenda, and supply was the number of enactments (Binder, 2003). Binder found that divided government was strongly associated with higher levels of gridlock. She also found that a stalemate is more likely to occur when the preference of Republicans and Democrats in Congress are highly polarized. Gridlock is also particularly likely when major differences exist between the House and Senate (Binder defined divided government as different party rule within legislature). Sarah Binder offered two reforms for reducing gridlock: regular use of a joint hearing between the House and the Senate, and a facilitated consensus method with an external neutral mediator that is called upon to find a common ground between feuding parties (Binder, 2003).

In 2003, Chiou and Rothenberg tested the divided government hypothesis in the study, "When Pivotal Politics Meets Partisan Politics." Chiou and Rothenberg built on the 1996 work of Krehbeil. In 1996, Krehbeil developed a preference-based model to develop gridlock intervals. These intervals show why divided government does not cause gridlock. They added on to Krehbeil's model, but tested the impact of bicameralism, political parties, and leadership of the President, using equilibrium gridlock intervals (EGI) (Chiou and Rothenburg, 2003). The researchers tested policy gridlock using three

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techniques that were developed by other researchers. To test gridlock, first, they used

Sarah Binder's (1999) measure of total number of failed issues divided by the total

number of policy issues in that Congress. Second they used, Edwards, Barret, and

Peake's (1997) measure of significant bills failed divided by Mayhew's (2005) sum of

bills passed. Third, they used Edward et al's significant bills failed divided by Mayhew's

(2005) Sweep One bills passed. Chiou and Rothenberg found that legislative gridlock

cannot be explained by divided government, but it can be explained by party unity effects

(party polarization) and strong political leadership (Chiou, 2003).

In 2009, Manabu Saeki published, "Gridlock in the Government of the United

States: Influence of Divided Government and Veto Players." Saeki also looked at the

limitations of previous scholars. He started with the work of Mayhew. Since Mayhew,

all scholars had looked at legislative productivity as a way to measure gridlock. Saeki

measured gridlock as the "inability to change policy." Saeki looked at the preferences of

the legislators. These preferences included: use of filibuster, override, and veto. The

analysis is done by analyzing indifference curves (most specifically, the area of the

winset). The winset is an intersection which is overlapped by two indifference curves

(Saeki, 2009). The Saeki hypothesis is: the greater area of the winset, the lower level of

gridlock in terms of policy output. The independent variables in this study were: divided

government, budget situation, public mood, and start of term. The dependent variable is

the amount of significant legislation from the 86th thru the 106th Congress. Saeki then

calculates the number of enacted laws. Saeki also calculates the percentage of failed

presidential proposals. He uses the same data as Mayhew (2005) and Binder (1999) but

analyzes the data differently, and used different variables. In conclusion, Saeki found

that divided government has no effect on the change in policy. The preference of the veto players but not the party that is in control of the government has an impact on gridlock in the United States.

Presented above is a whole school of thought on factors that can influence legislative productivity. From this research, the researcher was able to identify certain factors that may affect the budget delays. After Mayhew (2005) found no affect between legislative productivity and divided government, his study was replicated and revised. To expand on the work of Mayhew, Edwards, Peake and Barret (1997) looked at failed legislation and found that significant legislation fails more under a divided government than a unified government. Howell et al. (2000) expanded on this work by adding in all laws that were passed during that time and not just "landmark" legislation. Howell found that divided government decreases the production of landmark legislation when all laws are added. More recently, Saeki (2009) confirmed Mayhew's findings that divided government did not have an impact on legislative productivity. David Jones (2001), Chiou and Rothenberg (2003), and Sarah Binder (2003) found that legislative productivity was not influenced by divided/unified government, but rather partisan polarization. From the review of previous literature, it is necessary to look at passage rates under both unified/divided governments over a substantial time span that encompasses many different executive and legislative bodies. In addition, the work above shows that political parties also have an impact on the legislative gridlock, and this was examined further.

Divided Government – State Level

A divided government is an issue at the state and federal level. There are many similarities between the state and federal government in terms of legislative productivity. Both the federal and state government is impacted by party polarization. An analysis of the work done by Alt and Lowry (2000) and McAtee, Yackee and Lowery (2003) will address party polarization and the impact of divided government on legislative gridlock. While researching the effect of divided government, Bowling and Ferguson (2001) also found that interest groups have an effect on legislative productivity. In the work below, it is apparent that divided government, interest groups, and political parties have a strong presence in the state legislative arena.

In 2000, Alt and Lowry conducted a study on "A Dynamic Model of State Budget Outcomes under Divided Party Government." This study found that in 33 non-southern states in the years 1952-1995, unified governments were able to pass a budget more quickly than divided governments (Alt and Lowry, 2000). Alt and Lowry restricted their studies to non-southern states because most southern states were dominated by a single party rule during the period of study (Alt and Lowry, 2000).   When there is a transition to unified government, the party that is gaining the power is most able to pass its desired legislation (as long as there are no external economic conditions or budget issues).

Alt and Lowry (2000) introduce the notion of "split branch government." In split branch government, the legislature acts first to pass a budget and bargains with an Executive of the other party who possesses the power to veto the legislature's budget. Alt and Lowry also argued that state level analysis is more stringent than at the federal

level. States do not engage in defense or "countercyclical public spending," and states have higher expectations for balanced budgets (Alt and Lowry, 2000). When each party controls a different branch in the government, the legislative party will shift the fiscal scale in its direction. Alt and Lowry use a dynamic model of revenues that estimate specific adjustment needs and party specific revenue targets. For the model, Alt and Lowery assumed that the change in revenues in a given year depends on how far revenues are from the party specific target level (Alt and Lowery, 2000). In conclusion, the work of Alt and Lowry found that in 33-non southern states from years 1952-1995, unified governments were able to pass a budget more quickly than divided governments (Alt and Lowry, 2000).

The work of Alt and Lowery was later reexamined by Andrea McAtee, Susan Web Yackee, and David Lowery in the 2003 study, "Reexamining the Dynamic Model of Divided Partisan Government." They found that many of the model's key implications were inconsistent, and argued that the specification of the model is incomplete and needs further work (Lowery et al, 2003). They found three ways that Alt and Lowry's work should be improved: 1) they did not account for how, within states, the "in party" influences transition; 2) they did not look at party differences over time; 3) the complexity of the model makes it difficult to understand (Lowery et al, 2003). Based on their study, McAtee, Yackee, and Lowery found that Republican unified government transitions are associated with slower government growth.

More recently, in 2005, James Rogers analyzed the effects of divided government in the study, "The Impact of Divided Government on Legislative Production." He found limitations in many of the studies previously mentioned because they focused on the

division between the Executive and Legislative branch rather than the division in bicameral legislatures (Rogers, 2005). Additionally, the study looks at two different forms of divided government. Rogers defined these two types of government as divided branch government and divided legislative government (Rogers, 2005).

Rogers developed two hypotheses: divided legislative government will significantly decrease the number of laws a government enacts, and divided branch government will have a smaller effect on legislative production than does divided government. Rogers looked at 23 different states in the following years: 1981, 1983, 1985, 1987, 1989, 1991, and 1993. States were omitted if the data was not available. Rogers was able to look at 282 chambers (141 bicameral legislatures) (Rogers, 2005). Rogers included all legislation (rather than just the significant legislation). An OLS regression was used to analyze the data. The study found that divided branch government has no statistically significant impact on legislative production, but divided legislatures do have a significant impact on legislative production (Rogers, 2005). On average, chambers in a divided legislature passed 80 fewer laws than in a unified government (this is a reduction of approximately 30%) (Rogers, 2005).

Cynthia Bowling and Margaret Ferguson studied the effect of divided government and interest representation in their study, "Divided Government, Interest Representation, and Policy Differences: Competing Explanations of Gridlock in the Fifty States" (Bowling and Ferguson, 2001). They found that the degree of interest group conflict on the policy issue (whether it was high or low conflict) affected whether there was gridlock rather than divided government. They found that when a Governor faces a legislature controlled by the opposition party, (i.e. split branch government) passage of a budget was

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less likely than years where unified government existed. Bowling and Ferguson (2001) also added another explanation to legislative gridlock – the presence of interest groups. The final conclusions in their work stated that not enough work had been done on legislative gridlock, and gridlock occurred more often due to political issues rather than divided parties (Bowling and Ferguson, 2001).

In the study, "Interest Representation and Democratic Gridlock", Virginia Gray and David Lowery looked at the role that interest groups play in legislative inactivity. They analyzed the work of David Mayhew, and determined that since the findings on divided government are inconclusive, they will look at the impact of interest groups. They assumed that interest groups lead to legislative inactivity. In the state legislative session for 1990 and 1991 in seven states, they determined the following: number of bills introduced, the number of bills enacted, and the ratio of enacted to introduced bills. This is compared to the number of organizations that are registered to lobby in the specific states. Lowery and Gray drew the following conclusions: there is weak support for the notion that divided government is to blame for gridlock, interest organizations influence the pace of legislative activity, and the more interest groups in the state, and the harder it is to enact legislation (Lowery and Gray, 1995).

Earlier work by Wes Clarke (1994), in "Divided Government and Budget Conflict in the U.S. States," looked at 20 states and the effect of divided government and budget conflicts. Wes Clarke defined "divided government" as when one party controls the executive branch and the other controls one or both chambers of the legislature (Clarke, 1994). Wes Clarke added that agency heads will add 5% to budgets when one party is in the executive branch and the other controls the legislature. Clarke used agency level data

for ten years (Clarke, 1985-1994). The data included gubernatorial recommendations and actual appropriations. This was compared to the status of the legislature at the time (divided or unified). He found that a divided government adds to budget conflicts when the legislature is in a different party than the Governor (Clarke, 1995).

While a study by Berry & Berry (1992) focuses on passage of tax policy rather than budget gridlock, the article offers support to the divided government question. In the Berry and Berry (1992) article, one of the factors that led to adopting tax policy was the institutional control hypothesis. The institutional control hypothesis states that: states in which the Governorship and both legislative parties are controlled by same party (unified government) are more likely to adopt legislation than those with divided government regardless of party control (Berry & Berry, 1992).   Berry believed that unified governments would have less "roadblocks" (Berry & Berry, 1992). Berry also tested a competing hypothesis that was based on the idea that unified governments were less likely adopt an unpopular tax because the electorate would blame the party that was in control.   Using an event history analysis, the researchers found that there was no relationship between party control and adoption of policies (Berry & Berry, 1992).

Presented above is a variety of studies and findings on factors that affect legislative productivity at the state level. The Alt and Lowry (2000) article concluded that budgets are passed more often in united rather than divided governments. McAtee et al. (2003) replicated the work of Alt and Lowry and found that it was flawed, and that unified Republican governments are slower than divided governments when passing legislation. James Rogers (2005) and Wes Clarke (1994) also agreed with the findings of Alt and Lowery in that unified government passes more legislation than divided

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government (but only when the legislature itself is divided). Gray and Lowery (1995) found that interest groups had more of an impact than divided government. Similar to Gray and Lowery, Bowling and Ferguson (2001) added interest groups to the factors that influenced legislative productivity, but did not believe that divided government led to gridlock. Furthermore, Berry & Berry (1992) offered two competing hypotheses, but did not find any relationships between political parties and legislative gridlock. From this research, while unified and divided government should play a role in legislative gridlock it is important to consider political parties and external factors when looking at determinants of gridlock.

Role of Governor in Decision Making

Another potential factor influencing whether or not the Budget Bill will be adopted is the election cycle of the Governor. An analysis of the role of the Governor in the decision making process will be offered, and a review of prior studies will be analyzed.

To understand the significance of the election cycle of the Governor, it is necessary to explain the role of the Governor in the budget process. When budgets were first introduced as a mechanism for running governments, the budget was supposed to be used as an executive tool (Burkhead, 1956). It was believed that the executive should have the ability to adjust the budget, but not necessarily set expenditure priorities (Burkhead, 1967). The preparation of the budget is very important. At this time, the Governor was acting alone and can consolidate decisions into one document that is submitted for approval by the Legislature.

Throughout the years, work has been done on the role of the Governor in the budget making process. In 1968, Ira Sharkansky developed causal models to demonstrate

the relationship between the Governor and the legislature in terms of the budget (Goodman, 2007). The variables in this study were: agencies, the Governor, and the legislature. In nine of the states that were studied, Sharkansy found that the Governor dominated the state and there was no link between the agencies' ideals and legislative appropriations. The Sharkansy model was tested in 1987 using the same methods, but the study was controlled for partisanship (Goodman, 2007). In a follow up model in 1987, Joel Thompson found that the legislature took a more active role in budget expansion, in particular, when general funds were involved (Goodman, 2007). Overall, Thompson concluded, "Agencies have become more expansionist and Governors and legislatures somewhat more generous in their recommendations and appropriations" (Goodman, 2007).

However, this idea was tested again in the late 1980s by Abney and Lauth. In the Abney and Lauth (1987) study, executive budget office and legislative fiscal office directors were surveyed to determine the perceptions of the changing budgetary process. Legislators in 24% of the states were found to have more budgetary influence than the Governors (Abney, 1987). There was also a positive relationship found between agencies that prepared their own budget, and influence over its own budget. The researchers found that Governors were beginning to lose ground in state legislatures. Abney and Lauth offered four theories to clarify the Governor's decline in budgetary influence during the 1980s. These include: (1) Governors no longer control the appropriation agenda, (2) the veto is not an effective tool, (3) increasing partisanship undermines the Governor, (4) legislators no longer institute reforms that strengthen the Governors budget making powers (Abney, 1987).

In the survey conducted of state executive and legislative analysts, it was found that legislatures often had more influence over the budgetary process. In 1985, James Gosling found that the Governor's Budgets are not always "rubber stamped". The study by Gosling showed that the legislature delegated small items to the Governor and the staff, and "big ticket" decision items were made by themselves (Gosling, 1985). Many legislatures and legislators argue that it is their "job" to set policy and expenditure requirements (Gosling, 1985). The legislature feels that the adoption of the Budget Bill is their primary responsibility.

Governors Term Limits and the Election Cycle of the Governor

An elected official is considered a "lame duck" if their successor has been elected, or if they cannot be considered for reelection. The term lame duck dates back to the 18th century in Britain where businessmen were considered "lame duck" if their impairment of powers made them helpless (Beth and Sachs, 1990). By the 1830s, officeholders that had served their term and reached their termination date were considered lame duck (s) (Beth and Sachs, 1990). The studies that follow show how the election cycle of executives and lame duck status can have an impact on legislative outcomes. After review of the literature, the term limits of Virginia Governors will be discussed as they relate to "lame duck" Governors.

In the 1992 Berry & Berry article, the significance of the gubernatorial election cycle on the legislative process was analyzed. While numerous studies have shown taxes/spending are based on the presumption that politicians adopt new policies in their election cycle that prove advantageous to them. The Berry & Berry (1992) analysis showed that the election cycle of the Governor did not have a relationship with the

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budget passing (Berry & Berry, 1992). In their hypothesis, they stated that tax increases

that bring popular opposing and tax/spending bills are most likely in the year following

the election. This timing allows the public a good amount of time to forget the tax

increases before the next election (Berry, 1992).

   Past studies have shown that controversial policies will be adopted in the first

year after a politician is elected rather than the years before an election. The term of the

politician in this situation is a lame duck. A lame duck status occurs when a legislator is

about to depart from office, and is no longer faced with any type of electoral retribution

from the citizens (Rothenberg and Sanders, 2000).   Governors are forced into a lame

duck status when their first (and, in Virginia, only) statutorily allowed term is complete.

In an article by Rothenburg and Sanders (2000), it was found that controversial

votes that take place when a legislator is considered a "lame duck" implied that these

legislators whose electoral connections could have been severed to their districts often

acted as "free agents," and that the lame duck legislators took their own ideologies into

account, and only paid slight attention to their districts and their constituents (Rothenberg

and Sanders, 2000). These departing legislators ignore the preferences of their districts

and vote based on personal preferences.

Sanders and Rothenberg (2000) also introduce the concept of the "last term

problem." This problem occurs when elected officials know that they will not be

returning to their elected position. The authors said: "There is no question who is leaving

and who is staying during a lame duck session" (Rothenberg and Sanders, 2000). The

final conclusions in the study stated that lame duck members took their own ideology into

account, and paid scant attention to district preferences.

Term Limits for Virginia Governors

       The lame duck status can be applied to a Virginia Governor that is later in their term because of the single term limit on Virginia Governors.   The National Council of State Legislatures did an analysis of each state which outlined the years in each Governors term as well as the number of consecutive terms that were allowed (NCSL, 2010). All of the states had four year terms for the Governor with the exception of New Hampshire and Vermont. Most of the states allowed the Governor to serve two terms. Virginia was the only state that did not allow consecutive terms. The following states had no term limits: CT, ID, IL, IA, MN, NH, NY, ND, TX, VT, and WS (NCSL, 2010). All other states allowed their Governor's to serve eight consecutive years. In Figure 8 is a listing of each of the 50 states, and the maximum number of years that the Governor can serve consecutively:

States	Maximum Years a Gov can serve (consecutively)	States	Maximum Years a Gov can serve (consecutively)
Alabama	8	Montana	8
Alaska	8	Nebraska	8
Arizona	8	Nevada	8
Arkansas	8	New Hampshire	unlimited
California	8	New Jersey	8
Colorado	8	New Mexico	8
Connecticut	unlimited	New York	unlimited
Delaware	8	North Carolina	8
Florida	8	North Dakota	unlimited
Georgia	8	Ohio	8
Hawaii	8	Oklahoma	8
Idaho	unlimited	Oregon	8
Illinois	unlimited	Pennsylvania	8
Indiana	8	Rhode Island	8
Iowa	unlimited	South Carolina	8
Kansas	8	South Dakota	8
Kentucky	8	Tennessee	8
Louisiana	8	Texas	unlimited
Maine	unlimited	Utah	unlimited
Maryland	8	Vermont	unlimited
Massachusetts	unlimited	Virginia	4
Michigan	8	Washington	8
Minnesota	unlimited	West Virginia	8
Mississippi	8	Wisconsin	unlimited
Missouri	8	Wyoming	8

Figure 8: Maximum Years a Governor Can Serve Consecutively by State

The Virginia Governor is allowed to serve non-consecutive terms. Therefore, for the purpose of this study we will take into consideration where the Governor is within his/her term in office. In the first years of the Governor's term, he/she would be more likely to care about approval ratings. As the years in the term passed, he/she would move into the lame duck position if he/she were in a state where the Governor was not allowed to serve a consecutive term.

Economic / Fiscal Conditions and the Budget Bill

It is recognized that continued economic growth is only possible in a "sound economic framework", and fiscal policy must play a role (Easterly and Fischer, 1990). The Pre-Keynesian assumption was that in peacetime the budget should be balanced or even in surplus. Keynes tried to provide a framework explaining how the budget should behave. Keynesians saw no need to balance the budget during times of recession. The normal fiscal behavior was to have a cyclically balanced budget that should be in balance on average over the business cycle (surplus during the economic boom, and deficits during the recession). Since these assumptions were made, there has been a strong devotion to balancing budgets because political candidates and elected officials always want to have a balanced budget (Easterly and Fischer, 1990). In a review of the literature below, an analysis will be done on the impact of the economic climate, and various ways in which economic climate can be measured.

In the three studies below by Berry & Berry (1992) and Sheffrin (2004), the researcher focused on how fiscal health was measured in these studies to determine the most reasonable way to measure fiscal health.

In 1992, the Berry & Berry article, "Tax Innovation in the States: Capitalizing on Political Opportunity," analyzed the factors that prompted states to adopt fiscal policies. The Berry & Berry article was not specifically about budget delays, but was a time series analysis that sought to explain the reasons for tax policy adoptions. Many of the variables in the Berry & Berry study overlap with the variables used in this proposed study.

Berry & Berry offered three ways to analyze the fiscal health of the state. First, as cited in the article, the most common factor used in measuring fiscal capacity is per capita personal income (Berry & Berry, 1992). A higher per capita personal income will increase general fund revenues. In addition to the per capita income, Berry & Berry suggested that "Wagner's Law" was a second method to determine the state of economic development/fiscal health. Wagner's Law states that the demand for government services should increase with personal income. In addition, Berry & Berry also said that greater urbanization should result in greater fiscal capacity (Berry & Berry, 2000). Third, Berry & Berry also offered a fiscal health explanation. The fiscal health explanation looks at short term economic conditions. When there is an economic crisis there is a reduced chance of innovative fiscal capacity. Berry & Berry define government fiscal health as the degree to which state governments revenues keep pace with its spending commitments (Berry & Berry, 1992). Basically, they are saying that an analysis of revenues to expenditures is the appropriate type of measurement.

Berry & Berry also worked together on the 1990 study, "State Lottery Adoptions as Policy Innovations: An Event History Analysis." In this article, the authors determine which factors cause program/policy adoption. They offer two variables: internal determinants and regional diffusion (Berry & Berry, 1990). First, the internal determinants are the factors that have political, economic, and social characteristics on a state. Second, regional diffusion is caused by the influences of nearby states. Berry & Berry believed that the most important economic determinant was the short term fiscal health of the state government. The study had the following hypotheses:

Hypothesis 1: The worse the fiscal health of the state government the greater the expenditures relative to revenues, the more likely it is to adopt a lottery (Berry and Berry, 1990). This was measured using an analysis of revenues to expenditures.

Hypothesis 2: When a state's treasury is fiscally healthy, public officials are unlikely to adopt a lottery.

The findings in this study revealed that neighboring states are found to have stronger impact on the likelihood of a lottery adoption when internal characteristics of a state themselves are favorable for adoption. Additionally, it was found that regional diffusion and internal determinants explanations of state innovation should not be analyzed in isolation.

In the 2004 article, "State Budget Deficits Dynamics and the California Debacle", Sheffrin explains the economic hardships that states are facing. Sheffrin (2004) wrote that the 2001 recession created more than the usual amount of chaos in the state government. One example that he offers is that a Republican Governor in Alabama was facing a $675 million shortfall, and he proposed a $1.2 billion dollar tax increase. This tax increase would resolve the deficit, and improve educational opportunities. This proposal was overwhelmingly rejected.

Sheffrin also offers two ways to measure the economy in a state. First, he uses a surplus/deficit measure of fiscal health from the National Income and Product Accounts ("NIPA") (Sheffrin, 2004). NIPA includes state and local sectors and also includes the depreciation of existing stock of capital. Second, he uses data from the National Conference of State Legislatures and National Association of State Budget Officers. These organizations measure the amount of money in the general fund. The lack of

money in the general fund is typically tied to fiscal distress. The only limitation is that this does not include the amount of money that is in the special funds. Special funds include money specifically targeted for transportation, healthcare, or some other specific program.

Through the analysis of NIPA accounts and NASBO/NCSL information, Sheffrin made conclusions about the economic conditions in the United States over a period of time. Sheffrin identified three state level policy changes that have had an effect on the economy:

- Many states cut taxes during the 1990s

- State expanded eligibility to Medicaid at the same time they increased the price of health care

- State government spending increased (data showed that general fund spending increased 2.7% from 1985 to 2003). After 2003, general fund spending increased by 5.2% (Sheffrin, 2004).

Berry & Berry and Sheffrin both agreed that analysis of general fund revenues and expenditures was a useful method in determining the fiscal health of a state. Eakin (1989) said that expenditures and revenues were crucial in understanding budget deficits. In addition Baghestain (1994) said that expenditure levels were a good indication of economic growth. Table 1 shows a list of expenditures versus revenues in the Commonwealth of Virginia (created much like the tables in the Sheffrin article) to show the information that can be drawn from revenue to expenditure figures. Figures 9 and 10 were completed to show the economic cycle in Virginia during 2000-2008, and how this

form of measurement will show differences over time, and produce information that will

strengthen the proposed study.

Commonwealth of Virginia Unreserved Fund Balance Trends			
Fiscal Year	General Fund Unreserved Fund Balance	General Fund Expenditures (net of Capital)	Fund Balance vs. Expenditures
2009	($927,977)	$16,356,421	-5.7%
2008	78,468	16,616,709	0.5%
2007	563,367	16,027,466	3.5%
2006	973,461	14,424,717	6.7%
2005	520,546	13,417,481	3.9%
2004	39,941	11,766,541	0.3%
2003	(220,982)	11,683,363	-1.9%
2002	(749,102)	11,692,448	-6.4%
Note: Data in $1,000's Source: Commonwealth of Virginia CAFRs for the respective years.			

Table 1: Commonwealth of Virginia Unreserved Fund Balance
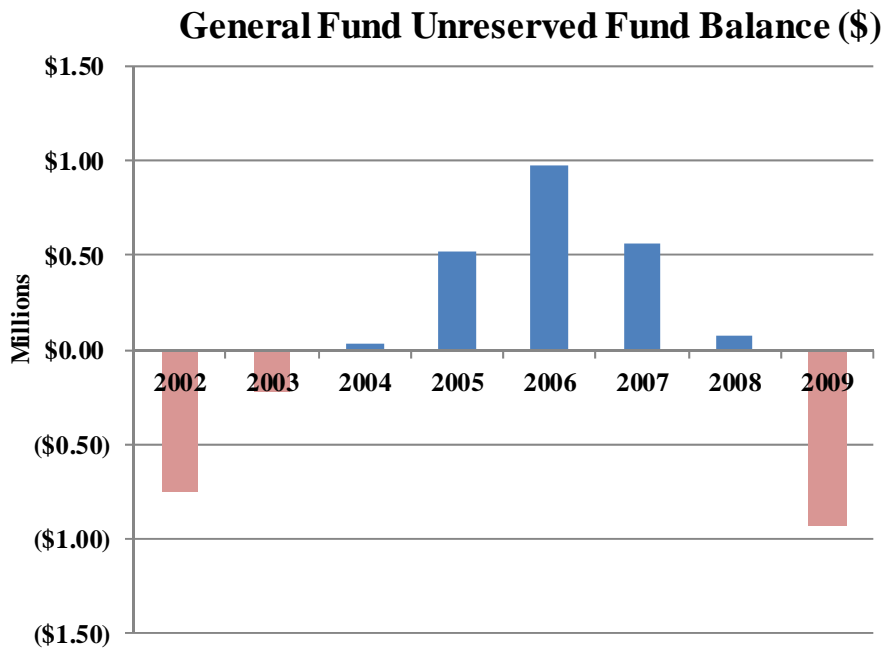
Figure 9: General Fund Unreserved Fund Balance
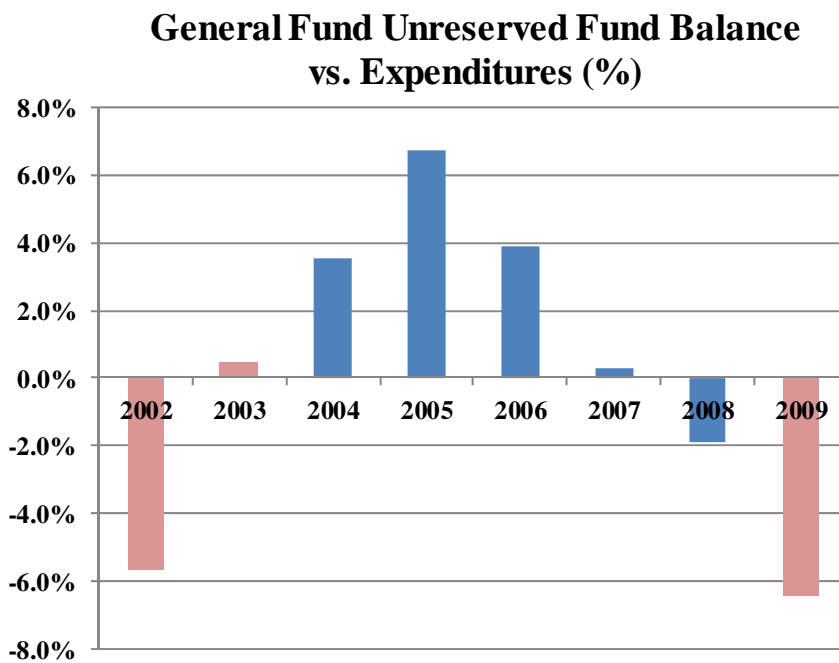
Figure 10: General Fund Unreserved Fund Balance vs. Expenditures

The table shows the difference in economic health over eight years. There were negative expenditures ratios in 2002, 2003, and 2009. The economic health was at its peak in 2005 and 2006. The researcher used available data from the 2002 to 2009 Virginia Comprehensive Annual Financial Report (CAFR) to show changes in economic health of the state when measured using the revenues/expenditures ratio.

While per capita income measurement, general fund balances, and surplus to deficit measurement tools have been presented above, state bond ratings also offer a way of determining the fiscal climate of the state. State and local general obligation ratings measure financial strength. To arrive at a rating, the state's past and current financial results are used to form an opinion about future trends. The highest rankings are assigned to states with the highest level of financial strength. These states are expected to maintain the strongest financial position in the future and are not impacted by external factors (Moodys, 2010).

The primary factors in rating states are the economy, finances, debt, and management of the state. State ratings are compressed at the higher end of the municipal rating scale (Moodys, 2010). There are 45 states with general obligation bond ratings, and 42 have a rating in the "AA range" or above. Figure 11 shows where each of the states falls on the rating index (Moodys, 2010). Virginia has an AAA Rating. Virginia's AAA rating has been the same since 1935, and Virginia has held on to this ranking longer than any other state.

Aaa	Aa1	Aa2	Aa3	A1	A1
Delaware	Indiana	Alaska	Alabama	Louisiana	California
Georgia	Iowa	Arkansas	Connecticut		
Maryland	Kansas	Florida	Hawaii		
Mississippi	Michigan	Kentucky	Idaho		
South Carolina	Minnesota	Maine	Illinois		
Utah	New Mexico	Massachusetts	Montana		
Virginia	North Carolina	Nevada	New Jersey		
	Ohio	New Hampshire	North Dakota		
	Texas	Pennsylvania	Oklahoma		
	Vermont	Tennessee	Oregon		
	Washington		Rhode Island		
			West Virginia		
			Wisconsin		

Figure 11: State Bond Ratings

To determine the Moody's state rating, an economic analysis is the starting point. Moody's analyzes the economic profile of each state so they can estimate the economic strength and weakness and set expectations for future performance. Economic strength is based on personal and business income, economic diversity, and vitality. Income levels affect the states taxing ability. Jobs generate the income to pay taxes and the federal government releases state level data on employment frequently and this is a good indicator of a state economy in relation to its peers. The rating agencies also look at economic diversity. A diverse economy will perform better than an "economic concentrated" economy over periods of time and suffer less under recessions.

Demographics also play a key role. The elderly, the poor, and school age children are expenditure drivers, while wage earners contribute to the revenues (Moodys, 2010). In addition, population growth plays a role in the state bond rating. Growth is a good sign of the economic health of a state. Population growth and income growth work together. The Moody's state ranking index offers another way to look at economic conditions within the state.

Another way to measure the economic climate is by looking at whether or not the nation is in a recession. A recession is a business cycle contraction and a downturn in the economic activity for more than two consecutive quarters (NBER, 2010). The National Bureau of Economic Research (NBER) defines a recession as a: "A period of falling economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales" (NBER, 2010). The National Bureau of Economic Research has identified periods of contraction and expansion by analyzing business cycles. The NBER data dates back to 1854, and has been measured monthly and quarterly to determine whether the nation is in a time of recession.

In recent studies, NBER has used Gross Domestic Product (GDP) and Gross Domestic Income (GDI) as the central measures for determining whether the nation was in a recession. As mentioned before, this is an ongoing measurement and NBER will announce when there is a "peak" or "trough" in economic activity to the public (NBER, 2010). The most recent dates of these announcements were: June 3, 1980; July 8, 1981; January 6, 1982; July 8, 1983; April 25, 1991; December 22, 1992; November 26, 2001; July 17, 2003; December 1, 2008; and September 20, 2010 (NBER, 2010). These dates

are often accepted by the United States Commerce Department as key dates of economic activity.

The literature above discusses the influence of economic climate in relation to the budget. Berry & Berry (1992) offered two ways to measure the economic climate: per capita income and as a ratio of revenues to expenditures. In a 1990 article, Berry & Berry also offered two other explanations: internal determinants and regional diffusion. In addition, Sheffrin (2004) added that a surplus/deficit ratio would explain the economic climate of the state. Information from the NCSL can also provide statistics on the general fund amounts for each state. The Moody's (2010) bond rating shows there are many different economic factors that play into the state bond rating. The National Bureau of Economic Research (2011) offers another way to measure economic climate, by determining if the nation is in a time of recession. This is done by analyzing economic contraction and expansion in business cycles. Therefore, many schools of thought are offered when measuring economic climate. These analytics were examined to determine which was the most useful tool in measuring the economic climate. While we have analyzed the economic factors, we will shift back to the basics of budgeting and offer an overview of the history of modern budgeting.

Background on Budgeting

Since the basis for the study involves budgeting, it is necessary to trace the history of budgeting through modern budgeting. The word budget originally meant "money bag" or "public purse". Eventually, the term would come to describe the documents that were contained within this "money bag;" these documents where the government finances submitted to be approved by the legislature (Burkhead, 1956). The idea of budgeting

dates back to the Magna Carta. After the English revolution of 1688, the new Bill of

Rights included a provision that all expenditures made by the 'Crown' had to be

authorized. Throughout the following years, Parliament gained more control over the

expenditures, and began to lay the basis for establishing comprehensive financial

statements on governmental activity. In 1822, the Chancellor of the Exchequer presented

Parliament with a complete statement of finances that was published annually. This

statement outlined governmental revenues and expenditures, and set forth a financial plan

for the upcoming year. This action in 1822 is said to be the beginning of full-fledged

budgeting (Burkhead, 1956).

When the American Revolution took place, Great Britain had not developed its

budget system. The framers of the Constitution had nothing to use as a guide when

deciding how to deal with finances. At that time, the Constitution had one provision: it

stated that, "No money shall be drawn from the treasury, but in consequences of

appropriations made by law, and a regular statement and account of the receipts and

expenditures of all public money shall be provided from time to time" (Burkhead, 1956).

At that time, the Secretary of the Treasury was responsible for reporting and preparing

revenues and expenditures. By 1802, the Ways and Means Committee was created. The

creation of this committee ended the executive's control of government finances. There

was friction between Congress and the Executive branch mainly due to the use of

appropriations to restrict executive discretion. From 1802 to 1865, revenue and

appropriation authority came from the Ways and Means Committee. The Ways and

Means Committee would review the government's finances. In 1865, there was a House

Appropriations Committee established (Burkhead, 1956). By 1885, there were eight

committees of the House with authority to recommend appropriations. Soon thereafter, the Senate established committees that had appropriation authority. With so many committees having the authority to spend money, there came a time of carelessness from 1880 to 1909.

During this time, the government was spending carelessly because they were bringing in revenues through taxes. President Grover Cleveland expressed that the Treasury had built up a surplus of $140 million by the end of the fiscal year.   However, the treasury incorrectly calculated its estimates.

During this time, the government determined their expenditures by the amount of the estimates rather than by the amounts of the grants. If less money was received for grants than estimated, the departments would not revise their financial plans for the coming year. They would continue without change because they believed that Congress would appropriate supplementary sums with requests rather than having to stop a particular service (Burkhead, 1956). The Congress tried to reform the budget practices in 1905 and 1906, but it wasn't until the Taft Presidency, from 1909 to 1913, that budget reforms were initiated (Burkhead, 1956).

During the Taft administration, national finances were starting to resemble a "crisis". This time was described by saying: "Under the system of congressional finance here described, America wasted millions annually. But, her wealth is so great; her revenue is so elastic, that she is not sensible of the loss. She has the glorious privilege of youth, the privilege of committing errors without suffering from' consequences" (Burkhead, 1956). This was the practice in government in the early 1900's. Without

restriction, money was being spent with no controls in place and this eventually led to a problem.

In the early 1990's, there was a budget deficit of $89 million. With the people of the nation demanding more programs from government, expenditures increased. On March 4, 1909, there was an amendment made to the Sundry Civil Appropriation Act that stated; if appropriations exceeded revenues, the Secretary of Treasury would work with Congress to determine a way to have the appropriation reduced or increase taxes to make up for the difference. While this amendment was added to the law, the law was not put into practice. This was the beginning of budget reform, but there was still a long road ahead.

In December 1909, President Taft was granted $100,000 in appropriations to appoint The Commission on Economy and Efficiency. The purpose of this commission was to provide investigations on the budget, organization/activities of the federal government, personnel reports, and financial records and accounts. The Commission also developed a set of forms for each department to use for submitting annual budget requests, and an organizational chart was developed in each department so that overlapping duties could be identified and agencies could be streamlined. In 1911, the new budget submittal forms were first used in the departments. On June 27, 1912, the Commission on Economy and Efficiency released a report entitled, "The Need for a National Budget". This report was the first time that the federal government and its organizational structure had been studied in detail. In the report by the commission, the national budget was designed to serve several purposes: a document of Congressional action, an instrument of control over the Chief Executive, and a basic guide for the

administration of departments and agencies (Burkhead, 1956). The report of the

Commission did not spark any immediate legislation under the Taft administration;

however, the Commission brought the idea of budgeting into the national spotlight. It

began budgetary reform in the municipalities and in the states. National budget reform

became a focus in the political party platforms during the elections. The work of the

Commission aided in the adoption of the Budget and Accounting Act of 1921. The

Budget and Accounting Act of 1921 was the most significant legislation that led to the

framework for the modern budget system.

In 1919, budget reforms were revisited. The House of Representatives appointed

a Select Committee on the Budget. This committee was very similar to the Commission

on Economy and Efficiency ten years prior. At this time there were still some

congressmen that were opposed to a national budget. Speaker of the House, John

Cannon, was quoted as saying: "when Congress consents to the Executive making the

budget it will have surrendered the most important part of a representative government,

and put this country back where it was when the shot at Lexington was heard around the

world" (Burkhead, 1956).

However, many members of Congress felt that the executive budget system could

help regulate national finances. The Select Committee on the Budget was found in

agreement with the budget system, and they felt the budget would reduce expenditures

and reduce taxes. In December 1919, President Wilson endorsed the national budget

system, but the Senate was not in agreement. By June 10, 1921, under the administration

of President Warren Harding, the Budget and Accounting Act of 1921 was passed by

both the House and the Senate and the Bureau of Budget was established. The purpose of

the Budget and Accounting Act of 1921 was to "provide a national budget system and an independent audit of government accounts" (Burkhead, 1956). Under this act, the President would be required to submit an annual budget for the entire federal government (including all agencies).

Budgeting in States

Much like the national government, the states did not face financial pressure until after 1910. During the early 1900s, state revenues and expenditures were balanced. Prior to 1910, the general property tax was the major source of state revenue. At this time in the states, the Governor had lost executive power, and most of the fiscal power in the state rested with the elected officials, state budget auditor, and the state treasurer. With the introduction of the budget system there came modifications in the government structure and the division of governmental authority (Burkhead, 1967).

The need for a budget system in the states was brought on by many factors. First, the general property tax was abandoned as the major source of state revenues. Without the general property tax revenues, the states needed to ensure that their economies were running efficiently and effectively. The idea of a budgeting system seemed to be the most useful instrument for achieving this goal. Second, the municipalities, tax payers associations, trade organizations, and chamber of commerce were demanding that a budget system be adopted. Researchers have said that these groups should be given "chief credit" for budgetary improvements in the states (Burkhead, 1967). Finally, budgeting at the federal level was gaining much attention, and then led to more public interest in the effectiveness of budgeting at the state level.

The factors described above led to the implementation of budgeting at the state level in the beginning of the twentieth century. The first state law authorizing the Governor to draft a budget for the legislature was in Ohio in 1910. In 1911, Wisconsin and California implemented financial improvements in the form of a state budget. By 1913, six states had enacted budgetary laws. In 1916, Maryland had adopted a thorough system of executive budget making. By 1920, 44 states had adopted some type of improvement in budgeting, and 23 of them had provided for some type of executive budget (Burkhead, 1956).

Balanced Budgets and Regulations

In 1994, Poterba published a study on state taxes that analyzed spending in the late 1980s. During this time, regional downturns and increased expenditures led to state budget deficits. In some cases constitutional and statutory provisions prevent the state government from running deficits. In the 1980s, 39 states had constitutional provisions to balance their budget (Poterba, 1994). Some states would allow deficits to be carried over into the next year, and some states were allowed to borrow too close to the deficit gap. Poterba used a regression analysis from the National Association of State Budget Officers (NASBO) data from 1988 – 1992 to examine the factors: party control, no deficit carryover, tax limits, and election year had on state spending.

Poterba was able to draw conclusions on state spending through this study. Poterba found that political party control of legislature (where the Governor and legislature are in the same party) and "no deficit" carryover laws matter when making year end budget adjustments. More specifically, Poterba found that states with tight statutory or constitutional constraints make it harder to run deficits and cause the states to

make rapid fiscal adjustments when the revenues fall short of expectations (Poterba, 1994).

In a 1996 article by Bohn and Inman, general fund data was taken from 1970-1991 to assess balance budget requirements and alternative political arrangements on the use of the general fund surplus. This panel study of 47 participants found that balance budget requirements only related to general funds, not all funds. This allows states to move money between funds and shelter some funds as non-general funds so they are not as highly scrutinized (Bohn, 1996). Additionally, they found that it was difficult to distinguish the spending on constitutional or statutory provisions from the political arena of the state itself. Overall, Bohn found that balanced budget rules, when enforced properly, reduce the tendency for states to run deficits. When states are in danger of running deficits, they will reduce current account spending and use money from the rainy day fund (Bohn, 1995).

In 2000, Bailes and Tieslau looked at factors that dealt with state spending. They used a panel data set that contained cross sectional observations on 49 states within five year intervals. The time frame for this sample was 1969 to 1994. Bailes and Tieslau looked at constraints that related to spending level (these constraints included: balanced budget rules, expenditure limits). The researchers found that states that adopted expenditure limits generated lower levels of per capita spending (Bailes and Tieslau, 2000). Policy spending is influenced by the presence of certain fiscal discipline mechanisms. The findings of Bailes and Tieslau (2000) are in line with the findings of Poterba in that budgets do matter.

In 2001, Poterba once again looked at constitutional requirements and budget deficits. Poterba used NASBO data to examine actual revenues and expenditures from the prior year, forecasts actual collections from the prior year, and budget cuts to determine if any unexpected changes had occurred. Throughout this, he developed a measure for "unexpected fiscal deficits". This measure would determine if there were any sudden changes with respect to fiscal news. Overall, he found that states with weak anti-deficit rules adjust spending less than those with strong anti-deficit rules. Porteba and Rubin carried out further work on this model to determine the role of institutions in the bond market. They found that unexpected deficits are related to higher general obligation bond yields (Poterba and Rubin, 2001). This relationship is stronger in states with weaker anti deficit rules. The researchers concluded financial markets take the states into consideration when the state's credit score is evaluated.

Conclusions

The literature reviewed discusses the themes that were tested in the study: divided government, economic climate, election cycle of the Governor, and political party influence. The divided government portion discusses the federal and state level. From the review of the divided government literature, the researcher found that interest groups and party polarization also played a role in legislative gridlock. The literature on the economic conditions discusses different ways to measure the economic climate (using many different articles and economic organizations websites) in the state. After reviewing the literature, the researcher was able to identify overarching themes that needed further test work. Therefore, the study was based around the themes that were discussed throughout this chapter.

CHAPTER 3: Methodology

Overview of Study Design

The purpose of this study was to determine what factors influenced the state budget process. The researcher looked at both political and economic factors to determine if either of them had an impact on the time that it takes states to pass a Budget Bill. The findings in this study deepened the understanding of factors that influence state budget delays and suggested expectations for future legislative sessions that will benefit state agencies, legislators, and citizens of the states identified. The research question for this study was: How do political and economic factors impact budget delays in various states? The researcher looked at budgets from 1980-2010 for the following states: Arizona, Connecticut, Indiana, Kentucky, Maine, Minnesota, Montana, New Hampshire, North Carolina, North Dakota, Texas, Virginia, Washington, and Wyoming. For each year, the number of days that it took to pass the Budget Bill was compared to the political and economic factors that are listed below. From this analysis, the researcher identified political and economic factors that delay the passage of the state Budget Bill.

Sample

The unit of analysis for this study was legislative sessions in the 14 states identified. The study looked at the number of days that it takes to pass the budget in each of these states for each year from 1980-2010. The dependent variable was the number of days that it took the budget to be passed (early or late) relative to the deadline. The time period for this study was 1980-2010. This time period ensured that a variety of political landscapes were analyzed, as well as a variety of different economic conditions. The sample from 1980 to 2010 provided 30 legislative sessions (one for each budget year) for

each of the fourteen states. This gave a sample size of approximately 430 cases for each

variable.

Hypotheses

There were six hypotheses:

Hypothesis 1:

Governments that are politically divided (split branch or divided legislature) will take a

longer time (measured by taking the number of days that it took to pass the state budget

each year and comparing it to the legislative deadline) to pass the state Budget Bill than

those with unified governments.

Hypothesis 2:

Governments with a lower amount of general fund revenues compared to expenditures

will take a longer time (measured by taking the number of days that it took to pass the

state budget each year and comparing it to the legislative deadline) to pass the state

Budget Bill than the governments of states with a higher amount of revenue compared to

expenditures.

Hypothesis 3:

Governments with lame duck Governors will take a longer time (measured by taking the

number of days that it took to pass the state budget each year and comparing it to the

legislative deadline) to pass the state Budget Bill than the governments with newly

elected Governors.

Hypothesis 4:

Governments with a weaker majority in the legislature will take a longer time (measured

by taking the number of days that it took to pass the state budget each year and

comparing it to the legislative deadline) to pass the state Budget Bill than those with stronger majorities in the legislature.

Hypothesis 5:

 Governments that are in a recession during the legislative session will take a longer time (measured by taking the number of days that it took to pass the state budget each year and comparing it to the legislative deadline) to pass the state Budget Bill than those that are not in recession.

Hypothesis 6:

Governments that are passing an original budget will take a longer time (measured by taking the number of days that it took to pass the state budget each year and comparing it to the legislative deadline) to pass the state Budget Bill than those governments that are trying to pass an amended budget.

Variables

For this study there were two dependent variables and seven independent variables. The dependent variables were the number of days that is took the budget to be passed and whether the budget was late or not.

The independent variables for this study were: split branch government, divided legislature, fiscal health, election cycle, strength of the majority party in the legislature, presence of recession, and budget type. The independent variables were chosen based on the factors of influence that were discussed in the review of the literature.

Dependent Variables:

The first dependent variable was the number of days that it took to pass the state budget as it relates to the legislative requirement/deadline. The dependent variable was measured by taking the number of days that it took to pass the budget and comparing it to the legislative deadline (which was the end of the fiscal year). The dependent variable was either a positive or negative number. For example, if the budget is passed five days before the deadline, it was recorded as "-5"; if it is passed five days after the deadline, it was recorded as "+5." The source for this data was the budget offices in the 14 states that were identified. These sources provided the deadline for budget submittal, and they also provided the date that the budget was adopted. In the analysis, this variable was referred to as "Budget Days".

The second dependent variable in the study was a dummy variable that was created to show whether the budget was late or not in the 14 states over the 30 year period. If the budget was passed after the legislative deadline, it was coded as "1;" if the budget was passed before, or on the legislative deadline it was coded as "0." In the analysis, this variable is referred to as "Late or Not".

Independent Variables

The first two independent variables were political variables that dealt with political parties: divided legislatures and split branch government. In the sections below, both of these variables will be described. The researcher collected data for both divided legislatures and split branch government that were used in the analysis

The first independent variable was a political variable that analyzed the Political Party of Governor and the Legislature, and was referred to as "split branch." A split

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branch occurs when the Executive belongs to a different party than the majority of the legislature (Alt and Lowry, 2000). The literature review showed that divided and unified governments can both have an impact on legislative gridlock (Mayhew, 2005; Binder 1999; Alt and Lowery, 2000; Rogers, 2005; Howell, 2000; Edwards and Peake, 1997). . Data for this variable was gathered from the 14 states legislature's offices. This information determined if the year under review was during a time of unified or divided government. For the state to be "unified," the Governor's party was the same party as the majority party in the both branches of the legislature. If the governments were divided, it was coded as 1; if the governments are unified, it was coded as 0. The analysis between the split branch and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case split branch government), and the random effect was the states. The significance level for this measure was .05.

The second independent variable referred to as "divided legislature" was a political variable and analyzed the political parties in each of the houses in the state legislature. Research showed that divided legislatures had an impact on the passage of the Budget Bill. Data for this variable was gathered from the 14 states legislature's offices. This data was gathered for 30 years to determine if the years selected were during a time of unified or divided government. For the legislature to be "unified," both chambers of the legislature had to be from the same political party. If the governments were divided, it was coded as 1, and if the governments were unified, it was coded as 0. The analysis between the divided legislature and the dependent variable was done using a

general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case divided legislature), and the random effect was the states. The significance level for this measure was .05.

The third independent variable was an economic variable and analyzed the revenue generating and spending of the state. It was referred to as "fiscal health." This variable was used to determine if the projected revenues for each year were in line with spending. This variable tracked the fiscal health of the 14 states. This variable was a ratio variable that measured total general fund revenue versus total general fund spending. This data was available through expenditure and revenue reports for each of the 14 states, and, in most cases, was found in the Comprehensive Annual Financial Report (CAFR) of each state. The analysis between the fiscal health (using a ratio of general fund revenues to general fund expenditures) of the state and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case the ratio of revenues to expenditures), and the random effect was the states. The significance level for this measure was .05.

The fourth independent variable was a political variable and examined the election year of the Governor, and was referred to as "election cycle." This variable was measured to determine where the Governor was within his term. This variable determined if the Governor was newly elected or a lame duck Governor. If the Governor was in the first two years of his/her term, they were defined as a "newly elected" Governor. The variables were coded as follows: Governors in year one and two of their terms were

coded as 0. Governors in years three or greater were coded as 1. The analysis between the election cycle of the Governor and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case election cycle of the Governor), and the random effect was the states. The significance level for this measure was .05.

The fifth independent variable was a political variable and examined political parties by looking at the strength of the majority. This was a ratio level variable, and was referred to as "strength of majority". The strength of the majority for both chambers (Senate and House of Delegates) of each of the 14 states was calculated by taking the number of legislative members in the majority holding office and dividing that by the total membership in each respective chamber for each year. This gave a ratio number that represents the strength of the majority. The party listings can be found in the offices of the various state legislatures. The analysis between the strength of the majority and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case strength of the majority), and the random effect was the states. The significance level for this measure was .05.

The sixth independent variable was an economic variable. It examined the status of recession in the states, and was referred to as "recession". The data was collected from the National Board of Economic Research (NBER) for the 30 year span for the 14 states. The dates for each budget year were identified to determine if the budget was passed during a time when the country was in recession or not. If the government was in a

recession, the variable was coded as 1, and if the government was not in recession, the variable was coded as 0. The analysis between budget days and the presence of recession and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case recession), and the random effect was the states. The significance level for this measure was .05.

The seventh independent variable was a political variable and examined the type of budget that each state was using (either original or amended). The researcher determined if the budget was an "original" or an "amended" budget and was referred to as "Budget Type." The researcher was able to determine this type of budget by researching the budget cycles for each state. This variable was a dichotomous variable. If the government was passing an original budget, it was coded as 1, and if the government was amending a budget it was coded as 0. The analysis between the budget type and the dependent variable was done using a general linear model. The dependent variable was the amount of days that the budget bill took to pass (either before or after the deadline); the fixed value was the independent variable (in this case budget type), and the random effect was the states. The significance level for this measure was .05.

Analysis

The researcher collected the data for the dependent and independent variables for the 14 states. Once the data was collected, the researcher evaluated independent and dependent variables using descriptive statistics to summarize and organize data. The researcher used measures of central tendency to learn more about each of the variables, as well as used box plots to determine the range of the data through an analysis of the lower

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quartile to upper quartile of the data. In addition, the box plot indicated if there were any

outliers in the data. If box plots were not feasible to analyze the data, then scatterplots

were used to identify any trends within the data set.

As stated in the sections above, the first round of statistics was done using the

dependent variable "budget days."   This allowed the researcher to use the exact day that

the budget was passed and compare it to the independent variables that determined if

there was statistical significance using the general linear model. Based on the findings in

the first round of statistical testing, the researcher used the second dependent variable

"late or not" to test statistical significance using a generalized linear model to determine

if the two dependent variables yield different results. The general linear model and

generalized linear model were both selected because they were the most appropriate

models to be used based on the data collected.

Data Collection

The researcher collected the data from the various offices of the state legislatures

for the 14 identified states. The data was available in both electronic and hard copy form.

From these sources, the researcher built a Microsoft Excel database. From the Excel

database, the information was converted into SPSS.

Summary

In this study, the researcher sought to carry out an analysis of the political and

economic factors that impacted the passage of the Budget Bill in the Commonwealth of

Virginia by looking at 13 other states. The paper went into great detail about the

background of the Virginia General Assembly, the political climate of Virginia from

1980 to 2010, modern budget development, and how the Virginia Budget Bill was

adopted. The researcher described the necessity of this study, and why it is unique to the

Commonwealth of Virginia. An in depth review of the literature was done, and it

focused on divided government, election cycle of the Governor, and economic

conditions. From that review, the researcher was able to identify variables for the study:

split branch government, divided legislature, fiscal health, election cycle of the Governor,

strength of the majority, recession status and budget type.   Findings from this study will

enable legislators to make predictions about the upcoming General Assembly sessions so

that ramifications from a budget impasse will not affect the Commonwealth of Virginia

in the future.

In Figure 12, the dependent and independent variables were listed, described, and

the expected sign was listed. This chart also goes into detail about how each of these

variables was operationalized.

Variable	Description	Expected Sign
Budget Days	Dependent, Ratio Y= number of days it took the budget to pass compared to the legislative deadline	N/A
Budget "Late or Not"	Independent, Dichotomous Variable y_1=0 (budget passed before the deadline) y_2=1 (Budget passed after the deadline)	N/A
Split Branch	Independent, Dichotomous Variable x_1=0 (majority political party in legislature same as Governor) x_1=1 (majority political party in legislature different than Governor)	Positive
Divided Legislature	Independent, Dichotomous Variable x_2=0 (majority political majority same in both chambers) x_2=1 (majority political majority different in both Chambers)	Positive
Fiscal Health of the State (state revenues/state spending)	Independent, Ratio Variable x^3=(state revenues/state spending)	Positive
Election Cycle of Governor	Independent, Dichotomous Variable, x_4= 0 (Governor in early years of term) x_4= 1 (Governor in later years of term)	Positive
Strength of Majority	Independent, ratio x_7 = # of members of majority party/total members	Positive
Recession	Independent, nominal x_8= 0 (No recession that year) x_8= 1 (Recession that year)	Positive
Budget Type	Independent, Dichotomous Variable x_9= 0 (amended budget) x_9= 1 (original budget)	Positive

Figure 12: Variable, Description and Expected Sign

CHAPTER FOUR: Results

The primary objective of this study was to identify which political and economic factors impact the amount of time it takes for the state budget to pass. In order to determine the factors that contribute to budget delays, a variety of analyses were used. First, descriptive statistics were used to understand the variations in each of the dependent and independent variables. Second, a general linear model was used to assess the relationship between the first dependent variable (*Budget Days*) and the independent variables. Third, a generalized linear model was used to assess the relationship between the second dependent variable (*Late or Not*) and the independent variables.

In short, for each of the seven independent variables descriptive statistics were used, and a general linear model was run to test significance for the first dependent variable (*Budget Days*). To take the study a step further, the researcher tested the significance of the second independent variable (*Late or Not*) using a general linearized model. The models chosen (general linear model and general linearized model) were selected because they were the best fit for the data set. Each test and results will be described in detail.

In the sections that follow, the basic descriptions of the data are discussed, and the results of the relationship between variables were examined.

Basic Descriptions of the Data

As described in the previous chapter, the data for the independent and dependent variables was collected through various resources for the 14 states. The specific day the budget was passed was collected from each of the 14 states. Data was collected from

budget offices, legislative libraries, law libraries, finance departments and online state legislature pages. In many cases, the states legislatures have bill summaries for each of the legislatives sessions for previous legislatures, and detailed information about the budget. For the 14 states, the following information was gathered:

1. When was the regular session of the legislature started in each legislative session from 1980 to 2010?

2. When did the legislature sign the budget?

3. When was the budget signed into law with the Governor's signature?

4. What was the legislative deadline for passing the budget?

From that information, the researcher was able to calculate the dependent variable, which is referred to as "*Budget Days*." To determine the value of the dependent variable, the difference was taken between the days that the budget was signed into law and the end of the fiscal year (legislative deadline for states). This value could either be a positive or negative number. For example, if the budget was passed ten days before the deadline, the number would be "-10," if the budget was passed ten days after the deadline the number would be "+10."

Basic descriptions of the dependent variables

For the first dependent variable, the actual days that it took the budget to pass relative to the deadline or *Budget Days*, descriptive statistics were run to learn more about the data collected. The descriptives are listed in Table 2. For the years, 1980 to 2010, there were 435 pieces of data collected for the day that the budget was passed in

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the 14 states. The minimum number of days that it took the budget to pass was 147 days

(or about five months) before the deadline; the maximum number of days was 171 days

(or almost six months) after the deadline. Therefore, there was a large variation within the

data.   On average, the budget was passed 47 days before the deadline.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BudgetDays	435	-147	171	-47.80	44.795
Valid N (listwise)	435				

Table 2: Descriptive Statistics for Dependent Variable (Budget Days)

For the second dependent variable, which measured if the budget was late or not,

the descriptive information is listed in Table 3. To create this variable (referred to as *Late*

or Not) for the years 1980 to 2010, the actual date the budget was passed was collected.

From that value collected, the researcher created a dummy variable that identified

whether the budget was "late" or "not late." If the budget was not late, it was coded as

"0"; if it was late it was coded as "1."   Instead of using descriptive statistics to analyze

this data, the researcher used frequencies. In Table 3 it shows that there were 60 late

budgets, and this accounts for 14% of the data collected; 375 budgets were on time, and

this accounts for 86% of the data collected. Therefore, there are a larger number of

budgets passed on time. For the next analysis the focus will shift to just the budgets that

were late.

Late_Not

|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	.00	375	85.8	86.2	86.2
	1.00	60	13.7	13.8	100.0
	Total	435	99.5	100.0	
Missing	System	2	.5		
Total		437	100.0		

Table 3: Descriptive Statistics for Dependent Variable (Late or Not)

Basic information on late budgets

For the years 1980 to 2010, there were 60 cases where late budgets were documented. The term "Late budgets" means that the budget was passed after the fiscal year deadline which in most cases is June 30. With 60 late budgets recorded, this accounts for 14% of all the budgets that were collected. Figure 13 shows a distribution of the dependent variable, "Budget Days". "Budget Days" data shows the frequency of days that the budgets were passed in the 30 year period across the 14 states. As seen in the Figure 13, there was an increase in the frequency of budgets passed around 90 to 100 days (or approximately three months before the deadline) and at the fiscal year deadline. The spike, three months prior to the deadline, reflects the end of most states legislative sessions. The rise in budgets that passed near the end of the fiscal year shows that most states strive to pass the budget before the end of the fiscal year. However, 29% of the late budgets were over a month late. The variance of late budgets goes from one day late to one hundred and 171 days late with the mean late budget passage being 30 days late.

In Figure 13, you can see the spikes in the data, they occur three months before the deadline, and around the end and beginning of the fiscal year.

Figure 13 shows that there was increased activity near the fiscal year deadline. An analysis of the data shows that approximately 30 budgets were passed within ten days before the fiscal year-end deadline. Additionally, 16 of the 30 budgets were passed on the fiscal year-end deadline. Also, 26% of all late budgets were passed between one and five days after the deadline. Furthermore, 15% of those were passed on the first day after fiscal year-end deadline.
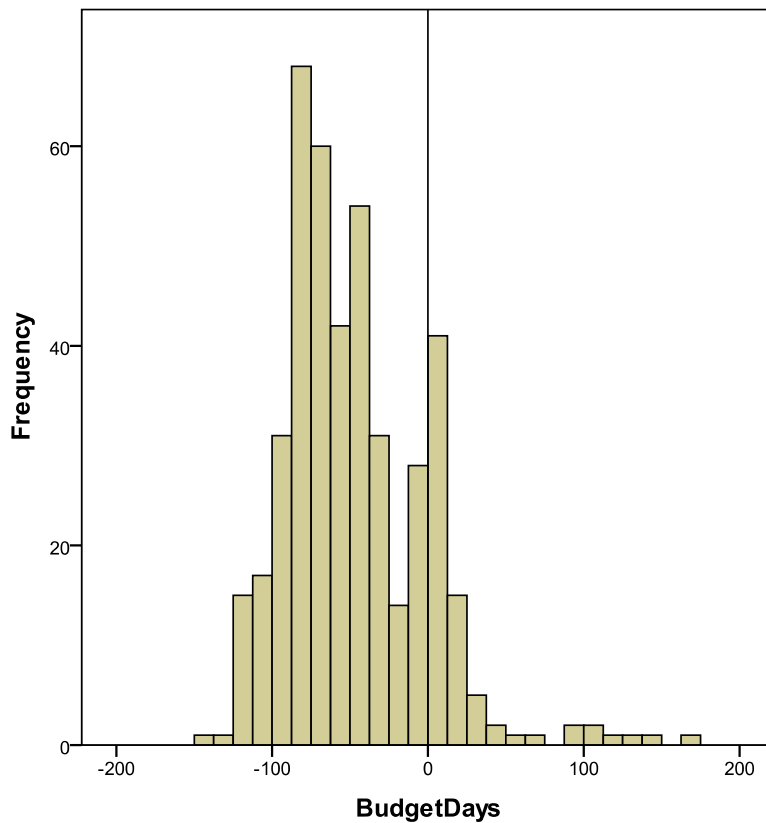
Figure 13: Number of Days Budget Passed (Before)/After Fiscal Year

For the years 1980 to 2010, in the 14 states, the frequency of late budgets was tracked per year. Figure 14 represents the number of late budget occurrences over time. The frequencies show that there are spikes in the frequency of late budgets in the following years: 1981, 1982, 1991, 1992 2001, 2002, 2005, 2008, 2009, and 2010. Additionally, the mid 1980s, and the mid to late 1990s were a time with fewer late budgets.
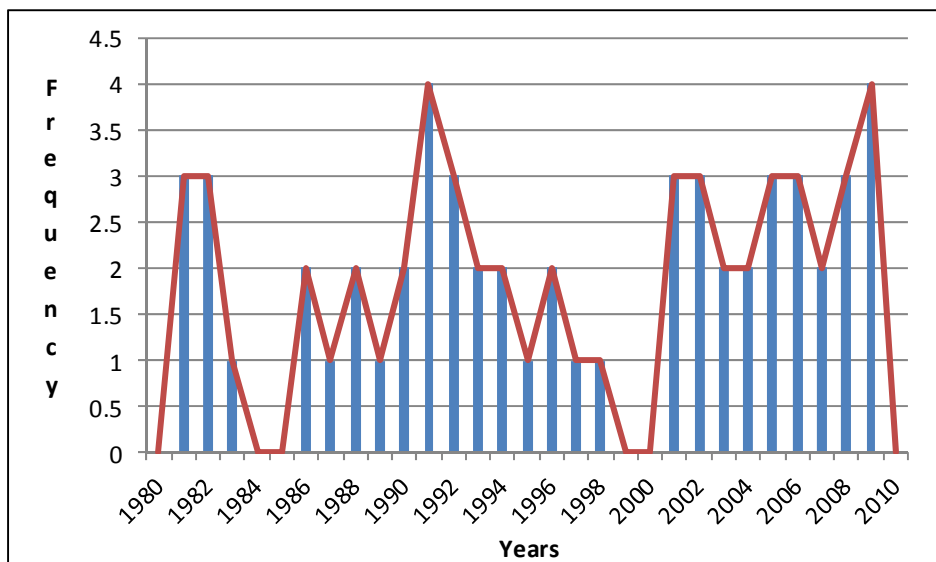
Figure 14: Number of Late Budgets per Year

Figure 15, shows the frequency of late budgets by state for the 14 states in the data set. As the figure shows, all but three states have experienced a late budget (Indiana, North Dakota, and Wyoming). North Carolina and New Hampshire both have higher frequencies of budgets that are passed after the budget deadline. Arizona and Connecticut have five late budgets a piece. After these states are accounted for, the frequency of late budget declines for the remainder of the states. The researcher noted the high levels of

budget lateness for New Hampshire and North Carolina, and this was taken into

consideration when the model to test the significance was selected.
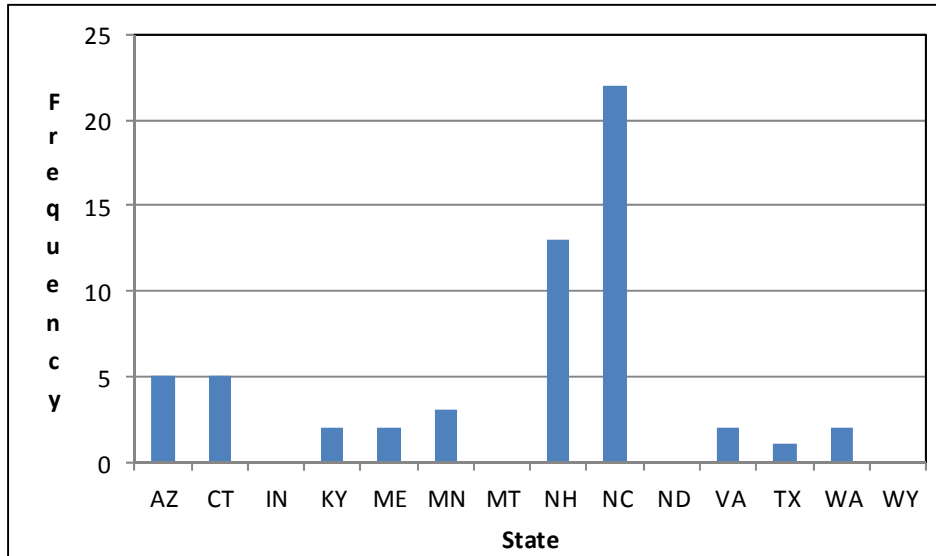
Figure 15: Frequency of Late Budgets by State

Descriptions of the Independent Variables

This section describes the independent variables as they relate to the number of

days it takes the budget to pass either before or after the budget deadline. In each section,

the independent variable was described along with the researcher's hypothesis. Results

from each of the significance tests will also be listed. In each of the significance tests,

the effect of the states were controlled for due to the high frequency of late budgets in

both North Carolina and New Hampshire. This allowed the state effect to be removed so

it did not affect the results of the data.

Split Branch Government

As stated in Chapter Three, split branch government (where the Governor and the majority of the legislature were in different political parties) was an independent variable that was used in this study. To analyze the variable, a dummy variable was created to determine if the particular state government during the 1980 to 2010 time frame (in the 14 states) was unified or a split branch government. As the researcher hypothesized, if the government was split, the budget would take a longer time to pass than if the government was unified.

To initially analyze this data, a frequency chart and a box plot was used. From Table 4, it was shown that the governments were unified 176 times (or 40%) and were split 258 times (of 59%). The box plot in Figure 16 showed that in both cases, the majority of budgets passed before the deadline. The split branch government passed a budget slightly closer to the deadline than in a unified government. Also, split branch government had more cases in which the data was spread between 100 days and 200 days late. When the government was split there are many cases that were found outside the range of the box plot. The researcher used a General Linear Model to examine the relationship between budget delays and split branch governments. The results indicated there was a statistically significant (0.35) relationship between the days that it takes the budget to pass and split branch government. Once this relationship was determined, the researcher tested the second independent variable (late or not). Separation issues occurred and thus no analysis could be done.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UNIFIED	176	40.3	40.6	40.6
	SPLIT BRANCH	258	59.0	59.4	100.0
	Total	434	99.3	100.0	
Missing	System	3	.7		
Total		437	100.0		

Table 4: Frequencies of Independent Variable (Split Branch)
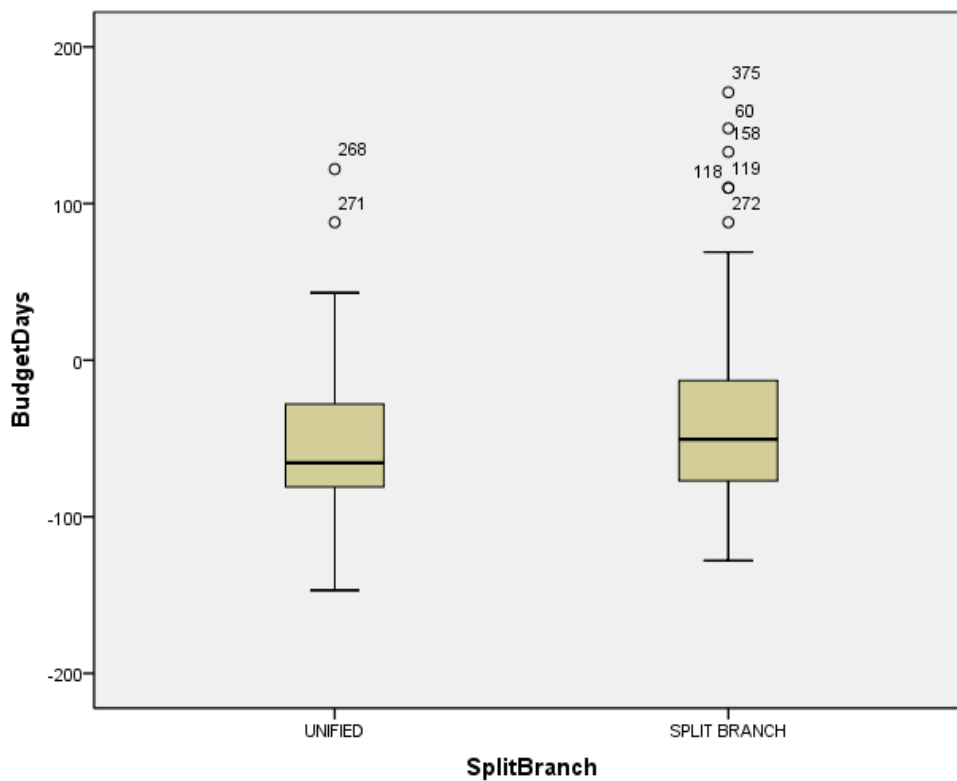
Figure 16: Box plot of Number of Days it Takes the Budget to Pass in Governments when Under Unified and Split Branch Governments
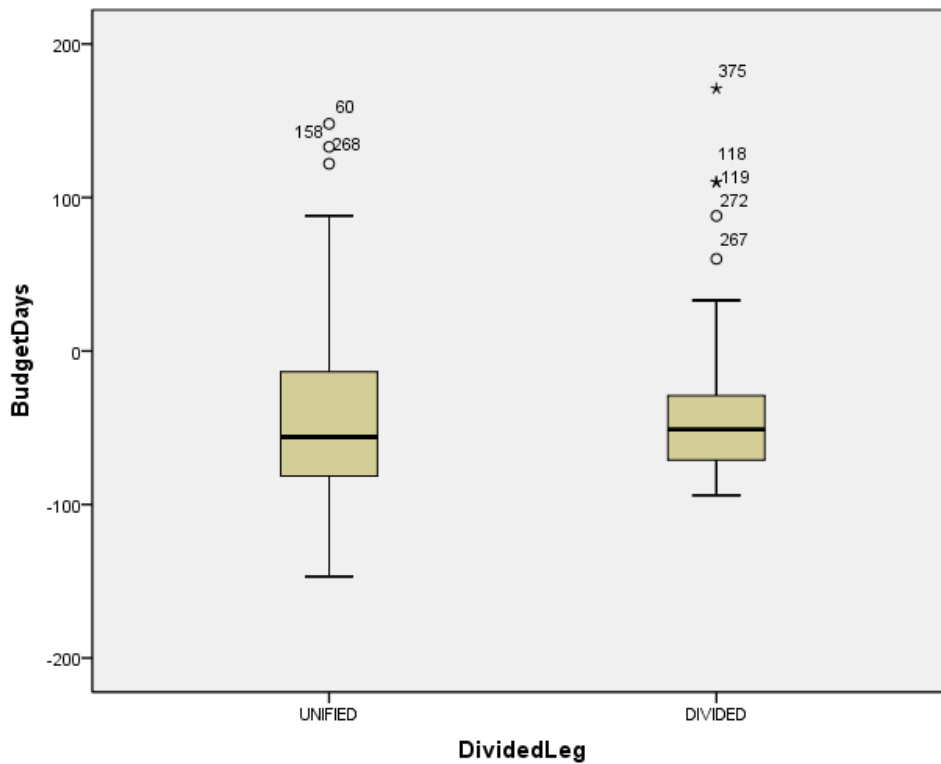
Divided Legislature

Similar to the split branch variable, divided legislature (where each chamber in the legislature is ruled by a different majority party) was an independent variable that was used in this study. To analyze this variable, a dummy variable was created to determine if the state legislature, in the 14 states from 1980 to 2010, was unified or divided during this time. In Chapter Three, the researcher hypothesized that if the legislature was divided, the budget would take a longer time to pass than if the legislature was unified.

First, the researcher used a frequency chart to provide a basic description of the data. The frequencies in Table 5 showed that the legislature was unified 307 times (or 70%), and the legislature was divided 127 times (or 29%). The box plot, in Figure 17, showed the midpoint of the data for unified and divided government appears to be similar. However, with the divided government, the data was less condensed. When the government was divided, there were many cases that fall outside the range of the box plot; and divided government had more cases where the budget was passed later. To further examine this relationship, the researcher used a general linear model to test the relationship between the days that it took the budget to pass and divided legislatures. These results indicate that there was a marginally significant relationship (0.59) between the days that it took the budget to pass and divided legislatures.

From these findings the researcher went a step further by assessing the relationship with the second independent variable *(Late or Not).* The researcher used a generalized linear model to assess the significance of budgets (late or not) and divided legislature government. In this test, the data suffered from separation; hence no analysis could be done.

			DividedLeg		
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UNIFIED	307	70.3	70.7	70.7
	DIVIDED	127	29.1	29.3	100.0
	Total	434	99.3	100.0	
Missing	System	3	.7		
Total		437	100.0		

Table 5: Descriptive Statistics of Independent Variable (Divided Legislature)

Figure 17: Box plot of Number of Days it Takes the Budget to Pass in Governments when Under Unified and Divided Legislature

Fiscal Health (ratio of revenues to expenditures)

The fiscal health (ratio of revenues to expenditures) variable was an independent variable that was used in this study. The variable was calculated by taking the general fund revenues and dividing them by the general fund expenditures for each of the 14 states over the 30 year period from 1980 to 2010. In Chapter Three, the researcher hypothesized that when there is a lower ratio of general fund revenues compared to expenditures it will take a longer time to pass the state budget than if the state had a higher amount of revenues compared to expenditures.

The researcher used descriptive statistics to learn more about the data collected for this variable as seen in Table 6. The minimum ratio recorded was .128 where the maximum ratio recorded was 3.6, and the mean was 1.12. In Figure 18, which is a box plot, you can see that the majority of revenues and expenditures are centered on 1.0 (which means revenues equal expenditures). Also, it should be noted that a large amount of data points fall outside of the range of the boxplot. To further test this variable, a scatterplot was used. In Figure 19, the scatterplot shows that the majority of the data is dense near the 1.0 mark. If you analyze the "Budget Days" data, it shows that there are few cases where the larger ratio of revenues to expenditures produces later budgets.

The researcher used a general linear model to determine if there was a relationship between the days that it took to pass the budget and the ratio of general fund revenues to expenditures. These results indicated that there was no statistically significant relationship between the ratio of revenues to expenditures and the amount of days that it took for the budget bill to pass in states. The researcher also tested the second dependent

variable (*late or not*) by using a generalized linear model to assess the significance of

budgets (late or not) and the ratio of general fund revenue to expenditures. In this test,

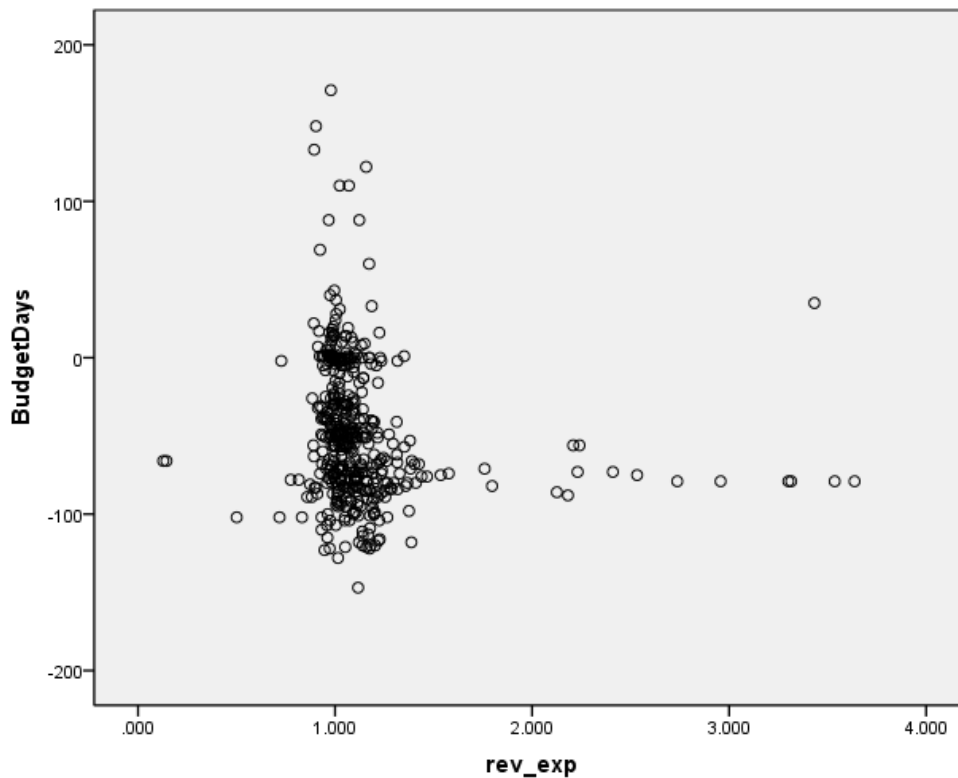the data suffered from separation; hence no analysis could be done.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
rev_exp	435	.128	3.637	1.12552	.348378
Valid N (listwise)	435				

Table 6: Descriptive Statistics for Independent Variable (Revenues vs. Expenditures)
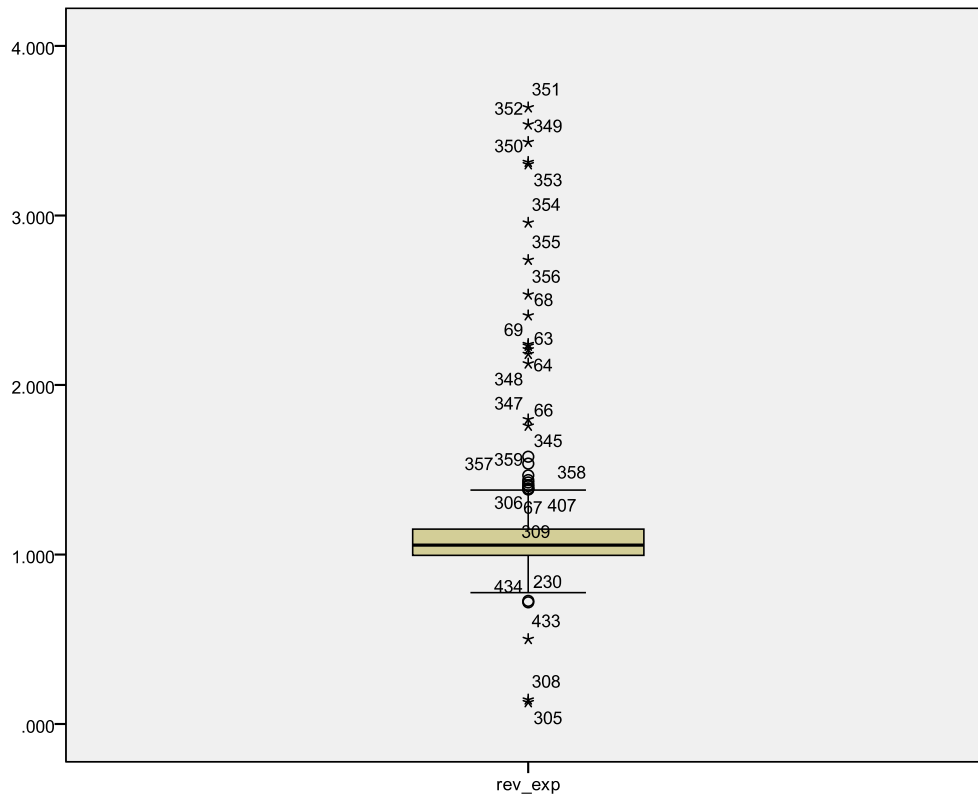
Figure 18: Box plot of the variable (revenues to expenditures)

Figure 19: Scatterplot of Number of Days it Takes the Budget to Pass as it Relates to Revenues and Expenditures

Election Cycle of the Governor

The Election Cycle of the Governor's variable was an independent variable that was used in this study. This variable was analyzed using a dummy variable. If the Governor was within the first two years of his/her term, they were considered "newly elected," if they have been in the office over two years, they were considered, "lame duck." As stated in Chapter Three, the researcher hypothesized that lame duck Governors will take a longer time to pass the budget bill than newly elected Governors.

First, frequencies were run to learn more about the data that was collected (see Table 7). The frequencies showed that within the data there were 294 (or 67%) times where the Governor was a lame duck, while there were 141 times (or 32%) where the

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Governor was a newly elected.   Second, the box plot (in Figure 20) shows that in both instances, the budget is passed prior to the deadline. The figure below indicates that in both cases the budget passed around fifty days (or one and a half months) prior to the deadline. For both lame duck and newly elected Governors budgets were passed late, but not enough cases to cause concern. Both variables appear to have an equal amount of late budgets when compared.

To test the relationship between the number of days that it takes the budget to pass, and the election cycle of the Governor, the researcher used a General Linear Model. These results indicated that there was no statistically significant relationship between the amount of days that it takes the budget bill to pass and the where the Governor is within the term. The researcher also used a generalized linear model to assess the significance of budgets (late or not) and where the Governor was within the term (newly elected or late). In this test, the data suffered from separation; hence no analysis could be done.

ElectionCycle

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Newly Elected	141	32.3	32.4	32.4
	LameDuck	294	67.3	67.6	100.0
	Total	435	99.5	100.0	
Missing	System	2	.5		
Total		437	100.0		

Table 7: Descriptive Statistics for Independent Variable (Governors Term)
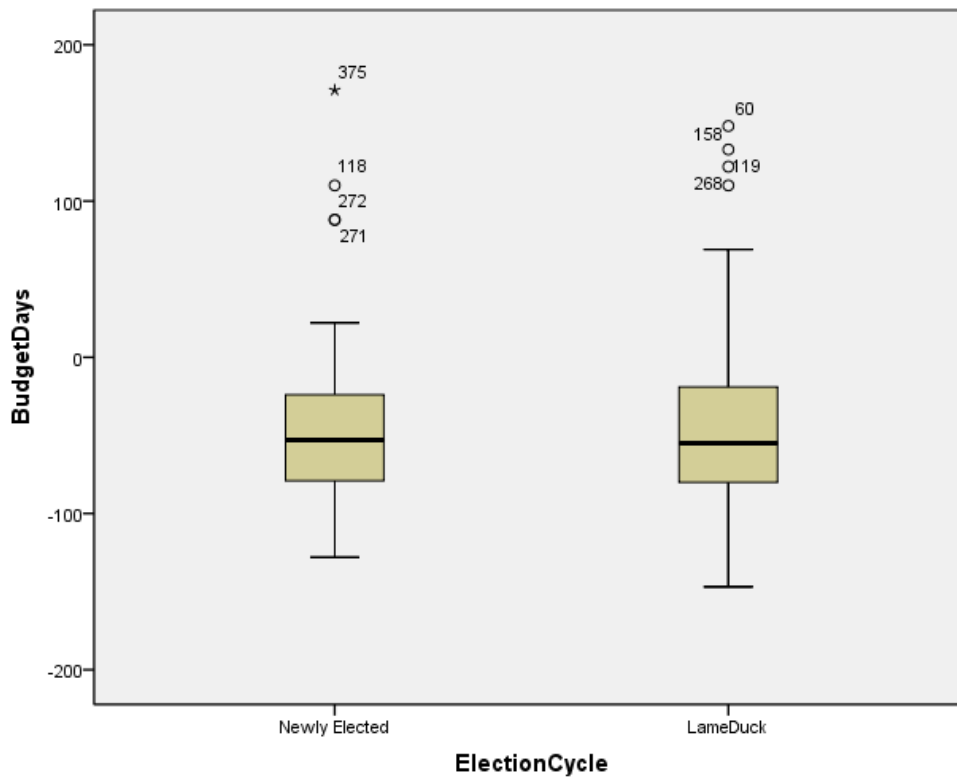
Figure 20: Box plot of Number of Days it Takes the Budget to Pass when Governor is Newly Elected or in Lame Duck Status.

Strength of Majority in the House/Senate

The strength of the majority in the House and Senate was an independent variable that measured political influence on budget passage. The strength of the majority in the House/Senate was measured by taking the majority political party and dividing that number by the total members in the legislature as stated in Chapter Three. The researcher hypothesized that when the strength of the majority is greater it is less likely that the budget will be delayed. The descriptive statistics in Table 8 show that in the House the minimum majority found was .50 while the maximum was .867. The mean was .613. For the Senate, the minimum majority was .472 and the maximum was .880 while the mean was .619. The box plot in Figure 21 shows that in both instances (House and Senate) the majority are between .50 and .80. To further analyze this variable, the researcher ran a scatter plot for both variables. The scatterplots in Figures 22 and 23 appear to be very different. The scatterplot for the strength of the majority in the House (Figure 23) the data is more condensed, and there are more cases of late budgets. To follow up on this test, a general linear model was run.

The researcher tested both the strength of the majority in the House, and the strength of the majority in the Senate and the amount of days that it took the budget bill to pass using a general linear model. The results indicated that there is no statistically significant relationship between the strength of the majority in the Senate and the amount of the days that it takes the budget to pass. Similarly, a general linear model was used to examine the relationship between the amount of days that it took the budget to pass and the strength of the majority in the House. These results indicated that there is a marginally significant relationship (0.61) between the amount of days it took the budget

to pass and the strength of the majority in the House of Delegates. Therefore, this finding

should be considered when making conclusions about the study. The researcher also

used a generalized linear model to assess the significance of budgets (late or not) and the

strength of the majority in the House and Senate. In this test, the data suffered from

separation; hence no analysis could be done.

Descriptive Statistics

|	N	Minimum	Maximum	Mean	Std. Deviation
StregnthMajHouse	404	.050	.867	.61323	.085700
StregnthMajSENATE	404	.472	.880	.61926	.089821
Valid N (listwise)	404				

Table 8: Descriptive Statistics for Independent Variable (Strength of Majority / House)
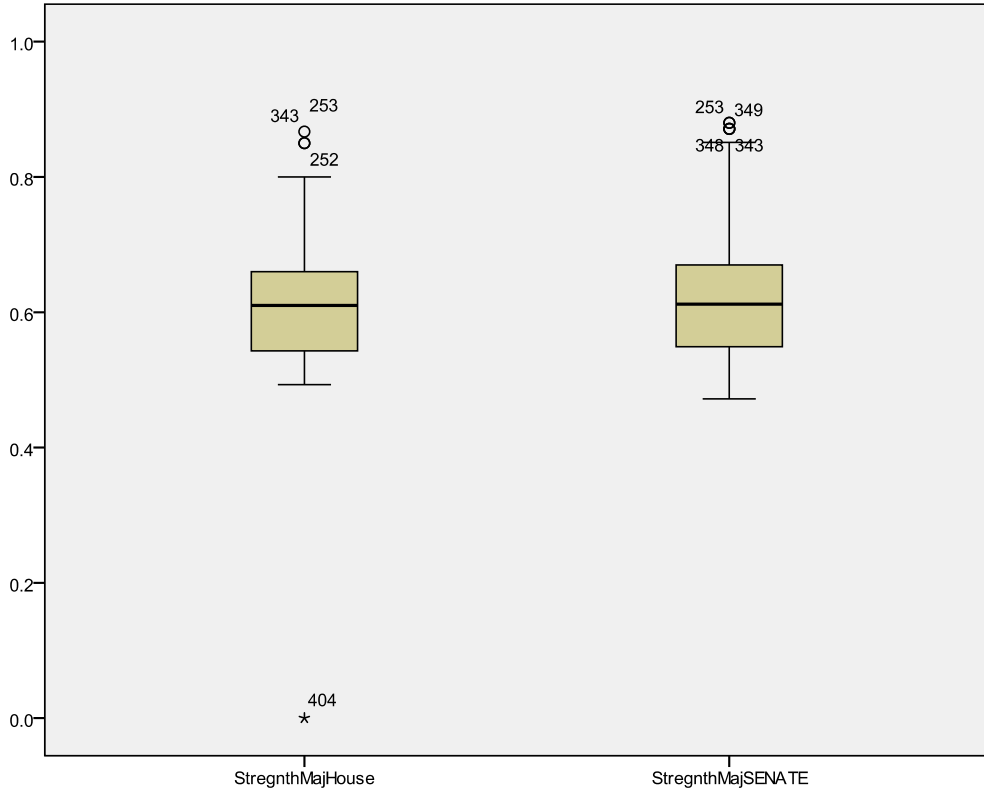
Figure 21: Box plot of the Strength of the Majority in the House and the Senate
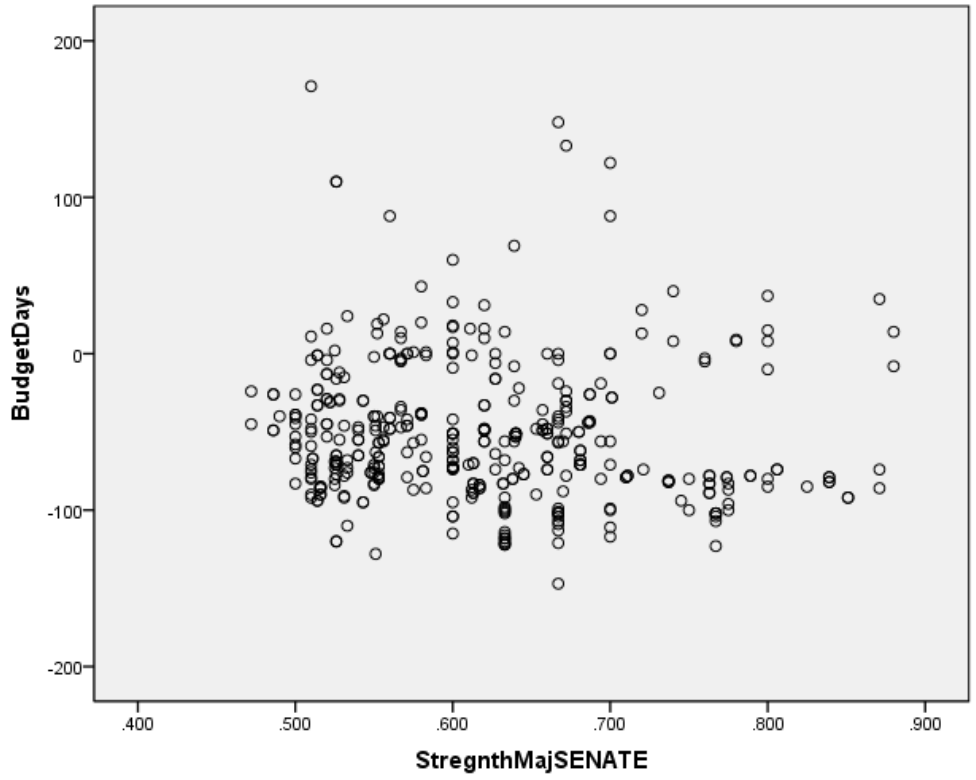
Figure 22: Scatterplot of the Number of Days it Takes the Budget to Pass as it Relates to the Strength of the Majority in the Senate
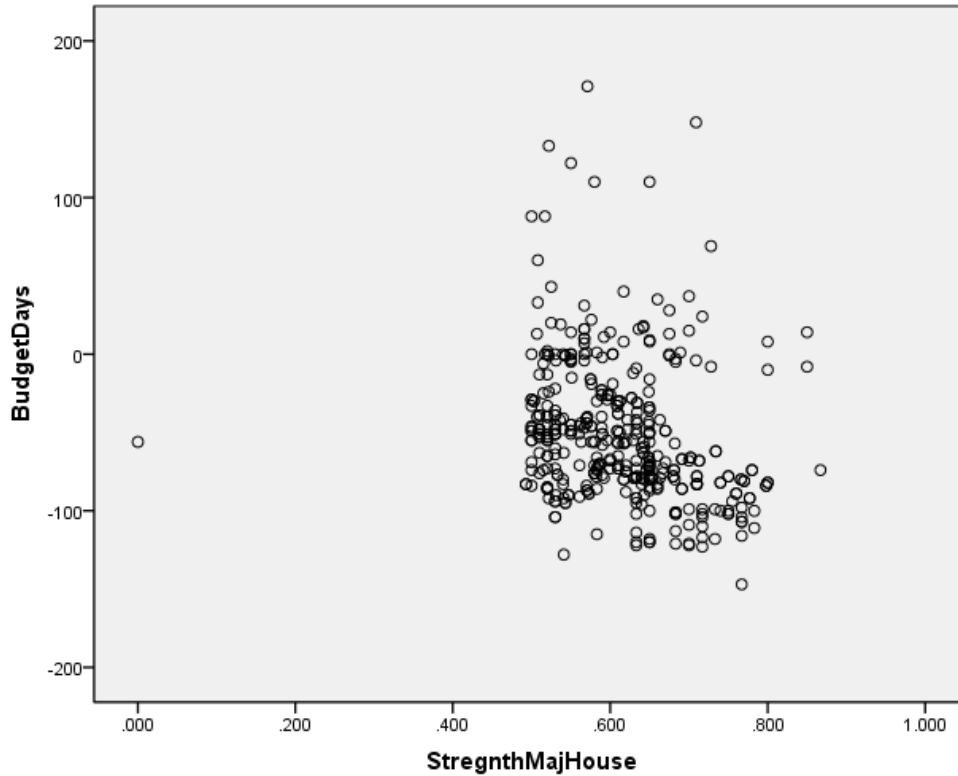
**Figure 23: Scatterplot of the Number of Days it Takes the Budget to Pass as it
Relates to the Strength of the Majority in the House of Delegates**

Recession

The recession variable was an independent variable that was used to determine if

economic factors had an influence on the time it took to pass the budget.   Dummy

variables were used to code the data as to whether the country was in a recession or not.

The data for the recession variable was calculated by using the recession dates

determined by the National Bureau of Economic Research indicating whether the country

was in a recession during the years 1980 to 2010.   As the researcher hypothesized in

Chapter Three, if states are in a recession during their legislative session it will take

longer to pass the state budget than if the states were not in a recession during that time.

The frequencies in Table 9 were used to determine more information about the recession

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variable. Table 9 shows that the states were in a recession 310 times (or 70%) during the time period the data was collected. The states were not in recession 125 times (or 28% of the time) during the time period that the data was collected. Figure 22 shows that when the country is in a recession, the data tends to get closer to the fiscal year deadline as well as reach passed the deadline (when compared to the box plots for other variables). For both groups (no recession and recession), there were cases where the data has spread outside the range of the box plot.

To examine the relationship between the presence of recession and the amount of days that it took the budget to be passed a general linear model was used. These results indicated that there is no statistically significant relationship between the amount of days that it took the budget to pass and whether the state was in a recession. The researcher also used a generalized linear model to assess the significance of budgets (late or not) and the presence of recession. In this test, the data suffered from separation; hence no analysis could be done.

Recession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Recession	310	70.9	71.3	71.3
	Recession	125	28.6	28.7	100.0
	Total	435	99.5	100.0	
Missing	System	2	.5		
Total		437	100.0		

Table 9: Descriptive Statistics for Independent Variable (Recession)
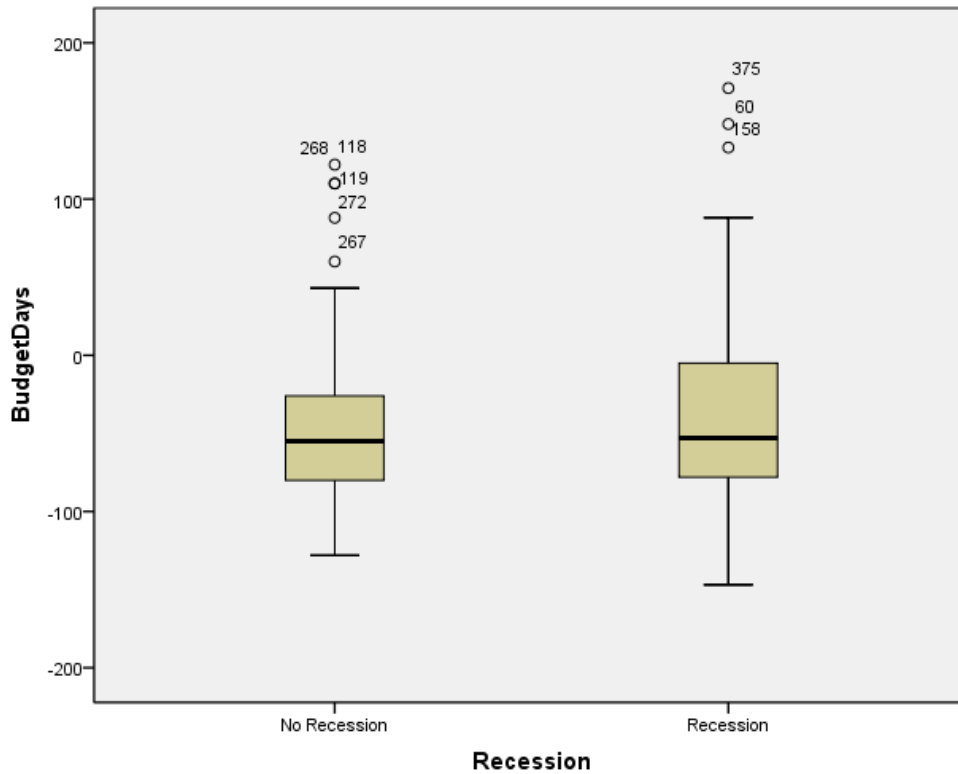
Figure 24: Box plot of Number of Days it Takes the Budget to Pass when the National Government is Both In and Out of a Recession
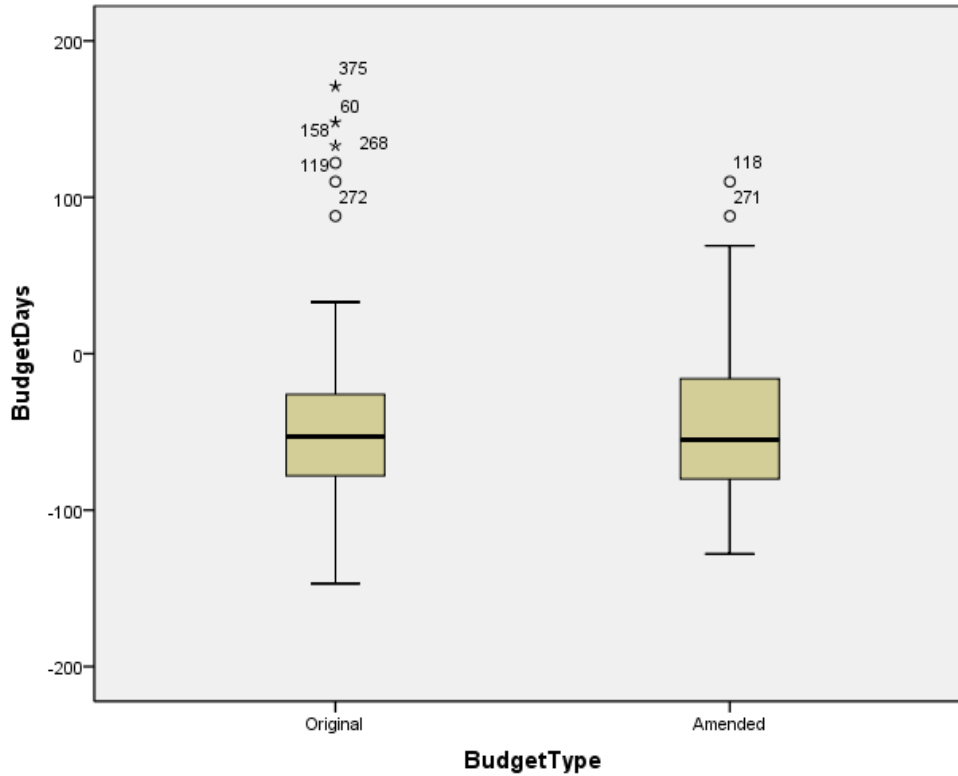
Budget Type

Budget Type was an independent variable used to determine if the type of budget can had an impact on the length of time it took the budget to pass. In this section, there were two types of budget identified: original and amended. The researcher used a dummy variable to distinguish between the original and amended budget. As hypothesized in Chapter Three, when governments are passing an original budget it will take longer to pass the state budget than those governments trying to pass an amended budget. In Table 10, frequencies were run and the data was analyzed to understand more

about the independent variable. In the data set, the budget was an original budget 197

times (or 45%), whereas the budget was amended 238 times (or 54%).

In the box plot shown, the midpoint for both original and amended budgets

appears to be equal. When you look at the box plot (in Figure 25) in the original budget,

there were many cases when data for the original budget causes later budgets than

amended budgets. To test the relationship between the number of days that it took to pass

the budget and the budget type a general linear model was used. These results indicated

that there was no statistically significant relationship between the number of days that it

took the budget to pass and whether the budget is original or amended. The researcher

also used a generalized linear model to assess the significance of budgets (late or not) and

the presence of recession. In this test, the data suffered from separation; hence no

analysis could be done.

BudgetType

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Original	197	45.1	45.3	45.3
	Amended	238	54.5	54.7	100.0
	Total	435	99.5	100.0	
Missing	System	2	.5		
Total		437	100.0		

Table 10: Descriptive Statistics for Independent Variable (Budget Type)

Figure 25: Box plot of Number of Days it Takes the Budget to Pass when the Budget Type is Amended or Original

Throughout Chapter Four, there have been references to "separation in the data". Separation occurs when the outcome variable separates a predictor variable or a combination of predictor variables. Separation often occurs in small data sets. When separation occurs, statistical software is unable to handle the problem, and the output indicates there is an error, and no further analysis can be done.

CHAPTER 5: DISCUSSION

Summary

      This study examined the factors that cause a state budget bill to not pass in a timely manner. After reviewing the literature, the researcher decided to analyze political and economic factors. Specifically, the researcher wanted to look at split branch governments, divided legislatures, the fiscal health of the state, the election cycle of the Governor, strength of the majority in both chambers, presence of recession, and budget type. The study was conducted on 14 states from 1980 to 2010. The goal of the study was to use information from the selected states that were structurally similar to Virginia so economic and political factors could be identified, and Virginia could use this information to prevent budget delays from occurring in future legislative sessions.

      The research question asked: How do political and economic factors impact budget delays in various states?

      Before the relationships were tested between the dependent and independent variables, the researcher noticed patterns in the findings. First, the range of days that the budget was passed went from 147 days before the deadline to 171 days after the deadline. This was a large variation in the data. On average, states passed their budgets a month and a half (or 47 days) before the deadline. In addition, most of the budgets were passed either three months before the fiscal year deadline, or within five days either before or after the end of the fiscal year. This most likely indicates that states were aware of the fiscal year deadline. When the researcher looked at the frequency of budgets over time, it was noted that the highest number of budgets were late in the early 1980s and the late 2000s. Also, when the researcher examined the frequency of late budgets by states, it

was noted that Indiana, North Dakota, and Wyoming did not have any late budgets during the 30 year span; while North Carolina and New Hampshire had the highest frequency of late budgets. The analyses of the states' budgets shows that late budgets are not identified within any specific regions in the United States.

Once the relationships were tested between the independent and dependent variables, the researcher identified one statistically significant relationship: 1) split branch governments are more likely to take longer to pass the state budget bill than unified governments. Also, there were two marginally significant relationships uncovered (divided legislatures and strength majority in the House of Delegates).

While most of the hypotheses were not supported, split branch governments were found to be an important factor when trying to pass the state budget bill on time. Additionally, it should be noted that three political variables had an impact on budget passage. The following factors were found to be insignificant when trying to pass a budget bill on time: ratio of general fund revenues to expenditures (in other words fiscal health of the state), election cycle of the Governor, presence of recession and budget type). In summary, the findings in this study indicated that split branch governments are important factors when determining what causes delays in passing state budget bills. While other hypotheses in this study were not supported, the researcher went back and re-examined the dependent variable using a created dummy variable that examined whether budgets were late or not, rather than looking at the number of specific days late. Data was unable to be analyzed due to separation issues within the data, so no conclusions were able to be drawn.

Connection between literature and findings

When researchers analyze divided government and legislative productivity at the federal level, the work of David Mayhew comes to mind. Mayhew (2005) opens his book on divided government with references to Randall Ripley and V.O. Key and their views on divided government. Based on the Mayhew's excerpts from Ripley (1969) and V.O. Key (1942), their ideas of split branch government are supported by the findings in this study. However, David Mayhew (2005) himself found that when the Executive and Legislative branches are controlled by different political parties there is no impact on legislative productivity. Mayhew's work occurred in two stages (Sweep One and Sweep Two). In Sweep One, he looked at the annual end of the session wrap up articles in the New York Times and the Washington Post from 1945 to 1992, and determined which enactments were considered "landmark legislation". He considered "landmark" to be those that cover the most important laws in Congress. In Sweep One, he identified 212 pieces of landmark legislation. He took these 212 pieces of landmark legislation and determined if they were enacted under a divided or unified government. In Sweep Two, Mayhew took the study a step further by having policy specialists look at the legislation and determine if it was "valid". The specialists found that 203 pieces of legislation were valid. The 203 enactments were analyzed and it was determined if they were passed under a unified or divided government. Using these methods in Sweep One and Sweep Two, Mayhew found that divided government had no impact on legislative productivity.

Mayhew's study appears to be a qualitative study, where this study is a quantative study. In this study, data is collected from 14 states over a 30 year period. The data collected is evaluated across seven areas that include both economic and political factors.

Additionally, significance tests are done to determine relationships. The findings in this study also differ from that of Mayhew. Where Mayhew found that divided government at the federal government does not impact legislative productivity, this study found that split branch governments and divided legislatures have an impact on the time that it takes for the budget bill to pass at the state level. Additionally, a federal level study by David Jones (2001) found that divided government did not have an effect on gridlock; however, party polarization caused gridlock. Also, Chiou and Rothenberg (2003) found that legislative gridlock is not explained by divided government, but it can be explained by party polarization and strong political leadership.

While this study did not support the work of Mayhew and other scholars listed previously, the work of Edwards, Barrett, and Peake (1997) found that a President opposed more significant legislation under a divided government, furthermore, the findings here support the Edwards Barrett and Peake study. Additionally, Binder (1999) found that unified party control of government cannot guarantee that gridlock will not exist. Howell et al (2000) also found that divided government decreases the production of enacted legislation. Therefore while Mayhew's research was not supported with this study, there were other federal level studies that had similar findings.

While the previously mentioned articles were federal level analysis, the following research at the state level is supported by the work in this study. Alt and Lowry (2000) found that unified governments were able to pass budgets more quickly than those that were divided. Rogers (2005) also found that divided legislatures do have a significant impact on legislative production. Also Bowling and Ferguson (2001) and Clarke (2005)

found that when a Governor faces a legislature of an opposition party, passage of the budget was less likely than when the government is unified.

While these studies support the idea that divided legislature and split branch governments cause budget delays at the state level, there were studies at the state level that did not support these findings. McAtee Lowery, and Yackee (2003) replicated the work of Alt and Lowry (2000) and found that unified Republican governments are slower than divided governments when passing legislation. Also, Berry (1992) found there was no relationship between party control and adoption of policies.

The findings in this study differ from those of Mayhew. Mayhew did a qualitative study at the federal, where this study is a quantitative study at the state level. The work of Mayhew deals with legislative gridlock where this study deals with budget delays. The research mentioned previously offers many different findings. This study shows that when a state level analysis is done using quantitative methods, split branch governments, divided legislatures, and the strength of the majority in the House have a relationship with the time it takes to pass the budget bill.

Policy Implications

This study was initially conducted to understand more about Virginia's budget process as well as find ways to pass the budget on time without risking a government shutdown. Virginia was chosen as the focus of this study for several reasons: Virginia has a history of budgets not being passed before the legislature adjourned; Virginia is not allowed to carry a budget deficit into a following fiscal year; Virginia has had various combinations of opposing parties in control of the Executive and Legislative branches,

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and Virginia has had many fluctuations in its economy during the time period that was reviewed.

In order to get a handle on Virginia's issues with budget delays, it was necessary to look at more states. Therefore 13 states that were structurally similar to Virginia were chosen to create more depth in the data. From the data, the researcher found that split branch governments have an impact on the time that it takes the state budget bill to be passed. This finding has also been supported by other researchers (Edwards et al, 1997; Binder, 1999; Howell, 2000; and Alt and Lowry, 2000). Since these factors have been shown to impact budget delays, there is a need to put these findings into practice so that budget delays can be prevented.

Based on the findings in this study, several recommendations have been developed to use these findings in current public policy. First, when the Governor and the legislature are elected (in the time between November elections and the beginning of the legislative session in January), legislative leaders should analyze the political party dynamic. They could determine if the new Governor and Legislature will be operating under a split branch government, unified government, divided legislature, or unified legislature, and at that point be aware of any problems that could arise based on the political party make up. Second, if the government is operating under a split branch government or divided legislature, then the session should be extended passed the normal 30 or 60 days. This would involve making an amendment to the Code of Virginia, but it would prevent a Special Session being called each year, and the potential for the government to be shut down. While this has been done at the federal government, there would be regulations on the time extensions, and extensions could only be requested in

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special situations where it would be beneficial to the Commonwealth. If necessary, a review panel could be appointed for granting these requests to make sure this is an efficient practice. Third, if the government is split branch or divided legislature, consultants should be hired. While consultants can charge high fees, it costs less than having to shut down the government. Consultants provide opinions and recommendations from external parties, and they are trained to be innovative and streamline processes. Fourth, appoint a bipartisan committee to work solely on the budget. These members can be the middlemen between the Democratic and Republican caucuses, and this group can be comprised of senior and junior members of each party. Fifth, if the government is split branch, the legislature should begin work on the budget as soon as the Governor's budget is released. The Governor's budget is routinely released by December 20th, so this would give a two to three week head start on budget negotiations before the session even begins. Finally, if the government is split branch or divided legislature, the Governor should review any controversial legislative proposals, and set priorities for which ones are most important to the Commonwealth instead of proposing several initiatives.

Limitations

There were limitations in this study. First, the researcher only looked at states that were structurally similar to Virginia. These states had biennial budgets, part time legislatures, and bicameral legislatures similar to the makeup of Virginia. Having only selected these states, the researcher was not able to include some of the states that have the highest frequency of budget delays such as New York and California (NCSL Report, 2010). Including these states may have added depth to the data set. Second, the study

only had a 30 year time period, so there were limits on the amount of data that could be collected in that time frame. If the time period would have been longer, more fluctuations would have occurred in the economy and the political arena. Third, the study did not look at the impact that the states have on budget delays. The research showed that North Carolina and New Hampshire had the highest frequencies of budget delays of the states sampled, but this was not one of the variables included in the study. Fourth, the study did not account for states that had unions. Recently, budget delays have been caused by unions in states, and this is an important factor that should be addressed. Fifth, this study did not take into account that states can "stop the clock" when the legislature does not pass the budget on time. "Stopping the clock," occurs when the legislature literally stops the clock to avoid a statutory or constitutional deadline (Riddick, 1986). In Riddick's Rules of Procedures, this is described as, "The official clock is stopped by agreement of the 'powers that be' without any motion or announcement one minute before the designated hour" (Riddick, 1986).   While there were limitations to this study, political and economic factors were addressed, and the data shows that political factors have more of an impact on budget delays.

Future Research

There are several areas that need additional research related to budget delays. First, as suggested in Howell et al. (2000) a research study should be done on major historical events and how they affect the budget. As was seen in the Gilmore administration, the September 11th attacks had a great impact on the economy and on the legislature (Atkinson, 2006). Therefore, a study could be run on historical events and how they have affected the budget. Second, Bowling and Ferguson (2001) found that

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interest group conflicts can lead to gridlock. In a future study, the influence of interest groups on budget delays can be assessed by looking at the number of interest groups in each state, and also, if data is available, by looking at the amount of money raised by interest groups in each state. Third, previous research has not identified the impact of large funding initiatives (i.e. - transportation initiatives) on the passage on the budget. For each legislative session, the researcher could determine what the largest funding initiative was during that session, and trace the votes on that issue, and also look at the date that the budget was passed. Finally, in the study, the economic variables chosen were ratios of revenues to expenditures and presence of recession, and while these variables did not support the researcher's hypothesis, other economic variables could be tested: rate of unemployment, average household income, bond rating and change in revenues over years. The above-mentioned studies could be done by the Commonwealth or an external firm, and it provides necessary information for future legislative sessions.

Conclusion

In this study, the researcher carried out an analysis of the political and economic factors that impact the passage of the Budget Bill in the Commonwealth of Virginia by looking at 13 other states. The paper goes into great detail about the background of the Virginia General Assembly, the political climate of Virginia from 1980 to 2010, modern budget development, and how the Virginia Budget Bill is adopted. The researcher describes the necessity of this study, and why it is unique to the Commonwealth of Virginia. An in depth review of the literature is done, and it focuses on divided government, election cycle of the Governor, and economic conditions. From that review,

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the researcher is able to identify variables for the study: split branch government, divided legislature, fiscal health, election cycle of the Governor, strength of the majority, recession status and budget type. The researcher designed an analysis to test the dependent and independent variables using descriptive statistics and a general linear model. From that, the researcher found split branch governments to be statistically significant when trying to determine if the budget will pass on time. Additionally divided legislatures and strength of the majority in the House were found to be marginally significant. Findings in this study differ from the findings in the Mayhew (2005) study conducted at the federal level. Mayhew's study found that there was no effect of divided governments on legislative output at the federal level. This study shows that at the state level political factors such as split branch governments, divided legislatures, and strength of the majority in the House can have an impact on the timing of budget passage. Findings from this study will enable legislators to make predictions about the upcoming General Assembly sessions so that ramifications from a budget impasse will not affect the Commonwealth of Virginia in the future.

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Vita

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