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Who Blinks First? Legislative Patience and Bargaining with Governors

When legislators and governors clash over the size of American state government, what strategic factors determine who wins? Efforts to address this question have traditionally relied upon setter models borrowed from the congressional literature and have predicted legislative dominance. We offer an alternative simplification of state budget negotiations that follows the “staring match” logic captured by divide-the-dollar games. Our model predicts that governors will often be powerful but that professional legislatures can stand up to the executives when long legislative sessions give them the patience to endure a protracted battle over the size of the budget. In this article, we present our analysis of an original dataset comprising gubernatorial budget proposals and legislative enactments in the states from 1989 through 2004. The results indicate strong empirical support for our predictions.

Who is more influential—legislators or governors—when they bargain over the size of American state budgets? What institutional features and strategic contexts help to determine each group’s level of success? In any system of separated powers, understanding the bargaining process between the legislative and executive branches is crucial to predicting policy outcomes and uncovering the determinants of political power. In this article, we explore legislative-executive conflict across the American states using a bargaining model that differs from the models utilized in much of the existing literature. A new data source on gubernatorial budget proposals and legislative enactments provides the testing ground for our model’s empirical implications.

Efforts to assess the budgetary influence of legislators and chief executives have traditionally relied upon setter or spatial models of policymaking. In these models, the outcome of interbranch bargaining is a function of the various players’ preferences, the order of interactions, and the location of status quo policy (Romer and Rosenthal 1978).

Typically, the legislature is treated as a monopoly proposer, submitting “take it or leave it” offers to an executive who possesses an absolute veto. The executive is then forced to choose between the appropriations figures contained in the bill and the reversionary or status quo point. This reversion is almost always assumed to be the previous year’s spending plan maintained, in the absence of legislative-executive agreement on a new budget, through a continuing resolution.

In spatial models, the legislature’s proposal power, combined with its ability to credibly threaten to keep expenditures at the status quo level, gives the legislature substantially greater influence over budgetary outcomes than the executive holds. For instance, using a spatial model of presidential-congressional bargaining, Kiewiet and McCubbins (1988) have shown that when the president prefers smaller expenditures than Congress proposes—the circumstance most favorable to the president—the president exerts only a limited influence over budgetary outcomes. When the president prefers a higher level of expenditures, the president has no influence at all. Kiewiet and McCubbins’s insights have received additional support from a subsequent investigation by McCarty and Poole (1995).

In the study of American states, applications of setter models also predict legislative dominance. In their influential analyses of state budgeting under divided government, Alt and Lowry (1994, 2000) amended the spatial model developed by Kiewiet and McCubbins to account for the balanced-budget requirements that exist in most states. In Alt and Lowry’s model, the legislature and governor must reach agreement on fiscal balance (whether there is a surplus, deficit, or balanced budget) in addition to fiscal scale. Alt and Lowry also added an assumption, backed by Lowry, Alt, and Ferree’s (1998) empirical work, that fiscal imbalance results in significant electoral losses for the governor’s copartisans in the legislature.

Alt and Lowry’s model, like the Kiewiet and McCubbins model, suggests executive weakness. When there is interbranch disagreement over the size of the budget, the legislature can use its monopoly proposal power to threaten the governor with fiscal imbalance by passing a continuing resolution rather than a new budget. Since, in this model, deficits or surpluses put the governor’s copartisans in the legislature at risk, the governor will be forced to make significant concessions to the legislature on fiscal scale in return for a balanced budget. After reviewing the empirical predictions of their model under different fiscal contexts and configurations of party control, Alt and Lowry concluded that state legislatures are even stronger than Kiewiet and McCubbins (1988) predicted Congress to be. Although governors can achieve some

of their fiscal goals when members of their party control one or both houses of the state legislature, chief executives must make severe concessions when they bargain with a legislature fully controlled by the opposition party. When each party controls one branch, according to Alt and Lowry (2000, 1043), "In no case does the governor achieve a significant shift in the budget target in the direction of her ideal point."

While spatial models and their progeny have unquestionably provided important insights into legislative-executive bargaining, we believe that these models are not the most appropriate simplification of budgeting negotiations in most American states. Their portrayal of gubernatorial weakness contradicts much of the existing scholarship in the state politics literature. Case studies (Bernick and Wiggins 1991; Gross 1991), surveys of political insiders (Abney and Lauth 1987; Carey et al. 2003; Francis 1989), and other qualitative works (Beyle 2004; Rosenthal 1990, 1998, 2004) all point to the extraordinary power of governors; many even refer to the governor as the "chief legislator." According to these analyses, governors can, and often do, dominate the legislature with respect to the eternal question of how much to tax and spend.

Additionally, the conclusion that the legislature can force the governor to accept an unfavorable deal largely depends on the assumption that the reversion point in the absence of a budget agreement is the status quo preserved through a continuing resolution. Continuing resolutions, although frequent in federal budgeting (Fenno 1966; Meyers 1997; Patashnik 1999), are not common or important considerations in state budget negotiations. Only nine states permit some form of continuing resolution (Grooters and Eckl 1998), and even these measures are labeled "minibudgets" (Connecticut), "interim budgets" (New York), or "stopgap funding" (Pennsylvania). None can become permanent, and the players in budget negotiations do not hope or fear that they will avoid crafting a new budget.

We would argue that a late budget, with all of the political and private costs that it entails, is the relevant reversion that drives interbranch negotiations. In most states, a delayed budget triggers an automatic shutdown of the government (Grooters and Eckl 1998). In all states, it generates unfavorable press and usually a special legislative session. Public polls conducted in California,¹ New York,² and New Mexico³ have all demonstrated that a late budget cuts deeply into the approval ratings of both branches. The possibility of voter disapproval evens the field on which the budget bargaining game is played. Neither branch likes a delayed budget agreement or a government shutdown, so both sides face incentives to deal. The legislature's proposal power

erodes when legislators cannot fall back on an acceptable status quo. This legislative limitation should make governors more powerful in the budgetary process than spatial models predict, a dynamic suggesting that an alternative model should be sought for describing state budget making.

In this article, we offer an alternative simplification and discuss our tests of its main implications. Our theory is based on formal models devised by Rubinstein (1982, 1985) and Osborne and Rubinstein (1990) and applied to state budget bargaining by Kousser (2005). Our model treats the outcome of interbranch bargaining as a function of the institutional capacities and constraints of the legislature. We view budget bargaining as a “staring match” in which the political and personal costs of a delayed budget swamp the influences of proposal power and status quo policies. Because the governor and legislature face shared costs of delay, they both have incentive to reach an agreement quickly. Negotiations are carried out informally, behind closed doors, rather than in a sequence of bills sent to the governor’s desk. In the staring-match dynamic that this negotiation creates, the identity of the “winner” depends on relative levels of patience or endurance. Governors can prevail in this game if they are willing to endure longer budget negotiations than their legislative opponents can stand.

In our application of the divide-the-dollar game, governors are patient bargainers, but legislative patience is treated as a function of professionalization. The governorship, in all states, is a full-time and well-paid job; governors can afford to engage in long and protracted negotiations over the budget. State legislatures, on the other hand, vary widely in session lengths. Legislators receive sizable salaries to meet nearly year-round in states such as California, New York, Illinois, Ohio, and Massachusetts, but they meet as briefly as two or three months a year in New Mexico, Georgia, Utah, and Kentucky and earn only small salaries or per diems. Legislators in these less-professionalized chambers usually hold second jobs to which they must return soon after the legislative session. These individuals pay high opportunity costs if their governor vetoes their budget and calls them in to a special session. These costs make “citizen” legislators less patient, relative to the governor and their counterparts in more-professionalized legislatures, and give the governor a bargaining advantage. Our staring-match model predicts that the governor will be more successful when bargaining with citizen, as opposed to highly professionalized, legislatures. And, since relatively few state legislatures are highly professionalized, governors should generally be quite powerful in the budgetary arena.

Clearly we are not the first to argue that full-time legislatures exert greater influence over budgetary matters than their part-time counterparts, but our treatment of professionalization differs significantly from the models in much of the existing literature. Traditionally, professionalized legislatures—houses with longer sessions, higher salaries, and plentiful staff support (King 2000; Squire 1992)—are considered more powerful because they possess an increased intelligence capacity (Rosenthal 1990). These legislatures usually have a large staff dedicated exclusively to fiscal policy, a revenue-estimating capability independent of the executive branch, and a sizeable contingent of experienced legislators. These features are believed to reduce the governor's traditional informational advantages and enhance legislative independence and assertiveness (National Conference of State Legislatures 2005). While professionalization may indeed have these effects, we argue that its real advantage is that long sessions make legislators willing to endure extended interbranch negotiations over the size of the budget.

To test the predictions generated by our abstraction of the budgeting process, we estimated an econometric model of the outcomes of interbranch bargaining over the size of the state budget. We used an original dataset of annual gubernatorial budget proposals and the corresponding legislative enactments culled from various issues of the National Association of State Budget Officers' *Fiscal Survey of States*. We examined data for all states over a 16-year period, fiscal years 1989 through 2004.

Our analysis revealed striking evidence of gubernatorial strength in budgetary negotiations. Across all types of states and legislatures, our econometric estimations show that the chief executive's proposed budget has a positive and statistically significant effect on the budget that is ultimately passed and signed into law. Most important, we found gubernatorial influence to indeed be inversely related to legislative professionalization. Among states with citizen houses, there is nearly a one-to-one relationship between the size of the gubernatorial proposal and the size of the enacted budget. In states with professional legislative bodies, the magnitude of gubernatorial influence falls by approximately half. These results are consistent with the expectations of our staring-match model and provide systematic empirical evidence that this simplification of budget bargaining may be more appropriate for the state context than the more traditionally utilized setter or spatial models.

In the next section, we present our staring-match model of state budget bargaining in greater detail. We discuss the logic of the game, its assumptions, and its predictions. Next, we present our estimation

of an econometric model of the outcomes of legislative-executive bargaining and interpret the results. We break down the components of professionalism to show that professional legislatures are generally more powerful than citizen houses, and it is longer sessions, rather than higher salaries or more staff support, that grants them this power. We then consider the potential endogeneity of gubernatorial budget requests. We conclude by exploring the implications of our analysis for the study of state politics.

Legislative and Gubernatorial Influence on State Budgeting

A Staring-Match Model of the Appropriations Process

To analyze the outcomes of legislative-executive bargaining over the size of the budget, we applied the framework of the divide-the-dollar games developed by Rubinstein (1982, 1985) and Osborne and Rubinstein (1990). Our application of their games treats bargaining between a governor and state legislature as a staring match; “blinking” means signing or passing a proposal that closely reflects the demands of one’s opponent. Hereafter, we refer to this treatment as “the staring-match model.” The winner is determined largely by the relative patience levels of the players, which, we argue, are functions of their institutional characteristics.

The game we describe here, like its spatial counterparts, is highly stylized and abstract, lacking the detailed discussion of the appropriations process contained in many descriptive analyses of state budgeting (cf. Garand and Baudoin 2004, National Association of State Budget Officers 2002, and Rosenthal 2004). Yet this abstraction is useful for conveying the logic of our argument in a simple, direct manner. Furthermore, like the game’s basic intuition, many of the assumptions made in the game conform nicely to budget bargaining at the state level and are consistent with observations made by qualitative studies and in interviews with legislative staff. A more-detailed discussion of the assumptions necessary to apply the staring-match model to state budget negotiations, along with proofs of the propositions we present, can be found in Kousser’s work (2005, ch. 6).

Since this model has been used less frequently than spatial models, we will review its assumptions and notation. There are two players, a governor (P_G) and a legislature (P_L), each behaving as if it were a unitary actor. Although this assumption ignores important intrabranched divisions, each branch has rules for aggregating internal preferences into a final position, justifying the common use of this assumption in

models of interbranch bargaining (Alt and Lowry 2000; Cameron 2000; Kiewiet and McCubbins 1988). When both the legislature and the governor's office are controlled by one political party, their disagreements may be fewer than under divided government. But because there is still likely to be interbranch conflict, whether government is unified or divided,⁴ we assumed that the branches must agree on how to "divide the dollar" of the budget. The branch winning the biggest share of the dollar (in the game) exerts the most control over the size of the state budget (in our application of the game). The division of the dollar is represented as an offer of (X_L, X_G) , and X_L can fall anywhere in the interval $[0, 1]$. Rounds of play are numbered as $T = \{0, 1, 2, \dots\}$.

In the most natural application, the game begins with the legislature proposing how to divide the budget's figurative dollar. (The governor could also begin these informal negotiations and, as we later demonstrate, the logic of the game would be the same and the division of the dollar would remain largely unchanged.) Faced with this offer of a budget with a given size, the governor either accepts and signs it or sends the game into its next stage. The governor begins the second stage with a counteroffer,⁵ but even if the legislature immediately accepts it, the agreement has been delayed one round and both sides receive a payoff that is discounted according to their patience levels. The discount factor is conventionally denoted by δ .

Rounds of alternating offers continue until one player accepts the other's proposal. For every round that a bargain is delayed, the utility a player receives from her or his portion of the dollar is equal to that portion multiplied by δ . Assuming that this discount factor remains constant from round to round, we would designate the value of an agreement in round t to P_L at the beginning of the game as $X_L \delta^t$. When a player's patience is set at $\delta = 0.9$, the player will be indifferent between receiving 45 cents in one round and getting 50 cents in the next, because 50 cents deflated by 0.9 gives the player 45 cents of utility.

We employed this deflation because continuing resolutions are rare in states and a delayed budget deal is costly to both branches.⁶ When the players fail to adopt a state budget on time, the governor and legislature's public images are harmed. Even when the delay does not run afoul of constitutional requirements, the failure to pass a new budget is politically infeasible, because it denies the legislature and governor the chance to create new programs and alter the composition of spending. In either case, the status quo is a nonstarter, and the reversion point that dictates the players' incentives is a delayed budget. Each player is thus willing to give up some of the dollar to reach an agreement early. Failure to reach any agreement is, of course, the worst

possible outcome for both players, giving each zero utility. These features characterize Rubinstein's basic bargaining game.

Proposition 1. In a game satisfying all of these assumptions and where both players face the same discount factor δ , there exists a unique subgame perfect equilibrium.⁷ P_L will always propose the division (X_L^*, X_G^*) and accept an offer only if it is better than or equal to Y_L^* . Whenever it is P_G 's turn to make an offer, P_G will propose (Y_L^*, Y_G^*) and always accept an offer that matches or beats X_G^* . In equilibrium, P_L proposes (X_L^*, X_G^*) in round $t = 0$, and P_G accepts.

$$(X_L^*, X_G^*) = \left(\frac{1}{1+\delta}, \frac{\delta}{1+\delta} \right) \quad (Y_L^*, Y_G^*) = \left(\frac{\delta}{1+\delta}, \frac{1}{1+\delta} \right)$$

The proof of this proposition is outlined by Osborne and Rubinstein (1990, 45) and traced out for the state politics application by Kousser (2005, 233–37). Proposition 1's implication for state politics is that governors will not face a severe bargaining disadvantage because they lack formal proposal power. In contrast with setter models, in which gubernatorial power depends on a governor's spatial preferences relative to the legislature's and the level of fiscal imbalance in a state,⁸ in our version of Rubinstein's model, governors can receive some of what they want no matter which direction they wish to move the size of government and no matter who begins the bargaining. Regardless of which branch makes the first offer, power over the budget will be divided quite equitably. Both branches bargain in the shadow of a late budget and the political penalties it can bring. Both are eager to avoid delay, and whichever branch can move first makes a fair offer that it knows the other branch can afford to accept. In the most straightforward application of the staring-match model, this offer comes when the legislature passes a budget bill. But even if the governor's public budget proposal, which often receives much media attention and sets the agenda for later negotiations, is thought of as the first offer, the theoretical prediction for the division of the dollar does not change radically. As the payoffs demonstrate, the "first mover" advantage that accrues to the branch making the initial offer is small when both players are relatively patient, and not tremendously large even when they are in a hurry to pass a budget. When both players discount payoffs that are delayed one round by a factor of 0.9, the first mover receives 52.6

cents of the dollar and the other branch gets 47.4 cents. Even when the discount factor equals 0.7, the division of the dollar is still a somewhat-equitable 58.8 cents to 41.2 cents. Regardless of which branch is thought of as making the first offer, Proposition 1 leads to the following empirical implication:

Hypothesis 1: Governors will exert a powerful influence over the size of state budgets.

Varying Legislative Patience

The basic model assumes that governors and legislators possess the same patience level, but this assumption may not always hold true. In particular, the members of a citizen legislature should be significantly less willing to engage in protracted budgetary disputes with the governor than their more-professionalized counterparts. The rationale here is that, in addition to *political* costs that both branches pay when there is budgetary gridlock, lawmakers serving in a less-professionalized legislature face *private* costs of delay. These costs will decrease the legislature's patience and advantage the governor.

There are, of course, several relatively professionalized state legislatures. These chambers resemble the U.S. House of Representatives: they meet in lengthy sessions, their members are well paid, and the legislature employs numerous nonelected staff. In states such as California, New York, and Michigan, there are few, if any, restrictions on the number of days the legislature may meet; as a result, lawmakers are in session much of the year. Furthermore, legislators serving in these chambers receive annual salaries in excess of \$75,000, as well as generous per diems (Council of State Governments 2005). These lawmakers can therefore treat legislative service as a career and do not need second jobs, even as the session length makes holding a second job close to impossible.

Most state legislatures, however, are notably less professionalized. In these chambers, the number of days that legislators are allowed to meet is often constitutionally restricted. On average, regular sessions are limited to approximately 90 calendar days per year; in extreme cases, sessions are constrained to no more than 60 or 90 days biennially. Compensation for service in most chambers is also low or nonexistent. To support themselves and their families, legislators in citizen chambers usually hold second jobs to which they must return soon after the legislative session.

As a result, members of a part-time body face high opportunity costs when they fail to reach agreement on a budget with the governor.

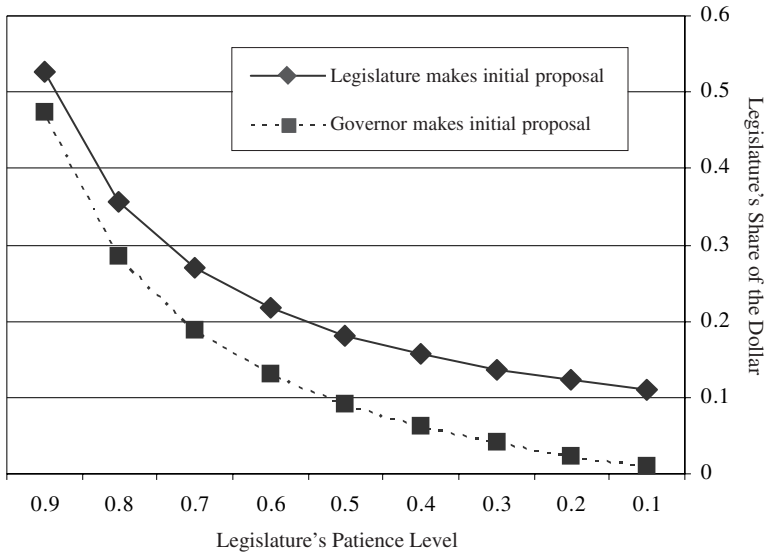
In the absence of such an agreement, legislators are usually forced into what may be a time-consuming special session and are prevented from pursuing their private careers or personal lives. The prospect of leaving their day jobs to resolve budget conflict should make members impatient. On the other hand, governors pay much lower private costs when they veto a bill at the end of a session. They may force a special session, stalling whatever private, travel, or governing plans they might have,⁹ but because all governors are paid well to do their job full-time,¹⁰ they can endure round after round of negotiations. Participants in gubernatorial negotiations with the less-professional legislatures point out the paramount importance of this dynamic. A senior advisor to Oregon Governor John Kitzhaber explained that, "As session goes on, the wait is in our favor."¹¹ In New Mexico, a special session called by Governor Gary Johnson to resolve the 2000 budget standoff led legislators to grouse, take political heat, and ultimately accede to many of the governor's demands.¹² We therefore expected professional chambers to be able to match the governor's endurance, whereas part-time bodies would be vulnerable to threats of a veto and extended negotiations. One piece of descriptive evidence consistent with our expectation is that budget standoffs, although rare, occur primarily in professional, full-time legislatures.¹³

This potential asymmetry in the patience levels that the branches possess can be formalized in an extension of the basic Rubinstein model in which the two players have different discount rates. When a citizen legislature negotiates, δ_L will be lower than δ_G . If the governor's advantage in patience is large, then it will swamp the advantage that the legislature holds from moving first. Proposition 2 is simply a less-general form of Proposition 1 in which discount rates are allowed to vary.

Proposition 2. In a game similar to the basic game but where players face individual discount factors δ_L and δ_G , there exists a unique subgame perfect equilibrium. P_L will always propose the division (X_L^*, X_G^*) and accept an offer only if it is better than or equal to Y_L^* . Whenever it is P_G 's turn to make an offer, P_G will propose (Y_L^*, Y_G^*) and always accept an offer that matches or beats X_G^* . In equilibrium, P_L proposes (X_L^*, X_G^*) in round $t = 0$, and P_G accepts.

$$(X_L^*, X_G^*) = \left(\frac{1 - \delta_G}{1 - \delta_G \delta_L}, \frac{\delta_G (1 - \delta_L)}{1 - \delta_G \delta_L} \right) \quad (Y_L^*, Y_G^*) = \left(\frac{\delta_L (1 - \delta_G)}{1 - \delta_G \delta_L}, \frac{1 - \delta_L}{1 - \delta_G \delta_L} \right)$$

FIGURE 1
Payoffs for Legislatures with Different Levels of Patience



The exact payoffs that the legislature receives at different levels of legislative patience are displayed graphically in Figure 1. One can see how steeply the legislature's share of the dollar drops as its members become less and less patient, assuming that the governor has a discount rate of $\delta = 0.9$. Although we do not investigate variations in the governor's patience level here, it likely changes with such factors as approval ratings, the timing of the next election, and the governor's political ambitions. Investigations of these variables may provide fruitful further tests of the implications of the model.

The solid line maps the payoffs when the legislature begins the bargaining, and the dotted line shows the results if the governor moves first. The gap between these lines—the first-mover advantage—is relatively narrow. What really determines who will control the budget is the legislature's patience. A professional legislature that can credibly threaten to wait the governor out in a special session will win, gaining 52.5 cents if it is equally as patient as the governor. If the private demands on members of a citizen legislature reduce their discount rate to 0.5, then they will get a mere 18.2 cents, even when they move first. Hypothesis 2 states the specific, testable implication of this theoretical finding.

Hypothesis 2: The influence that governors exert over the size of their state budgets will grow as the level of legislative professionalism in their states declines.

Before discussing the tests our hypotheses, it is worth noting that the centrality of patience or discount rates in our model is one of the features that most clearly distinguishes it from existing analyses. Spatial approaches to legislative-executive bargaining, at both the national and state levels, rarely consider the potential effects that shifts in discount rates may have on outcomes (Alt and Lowry 1994, 2000; Kiewiet and McCubbins 1988; McCarty and Poole 1995; but see Banks and Duggan 2006). Even when the patience levels of the players are allowed to vary, spatial models predict no effect. Primo (2002), for instance, examined how some of these dynamics might affect Romer and Rosenthal's (1978) model. He found that, even when spatial models are extended to multiple stages of bargaining, discount rates do not factor into the equilibrium. Primo's results suggest that impatient citizen legislatures should not face a bargaining disadvantage because "impatience and time preferences may not be key features of political bargaining" (421).

Testing Predictions of the Staring-Match Model

We tested our hypotheses by systematically examining the relationship between the size of the governor's proposed increase in total per capita state expenditures (measured as a percentage of the previous year's budget) and the size of enacted spending change—that is, the change contained in the budget ultimately adopted by the legislature and signed into law (again measured as a percentage of the prior year's budget).¹⁴ Unlike most of the existing literature, our study gauges gubernatorial power by directly measuring the policy preferences of governors, rather than assuming that their party affiliations tell us exactly what they want.

Prior studies of variation in state policy outputs that relied exclusively on measures of party control as a proxy for gubernatorial and legislative preferences gained their causal traction from the assumption that Democrats always and everywhere want government to expand, or that the magnitude of policy disagreements between the two major parties is constant across states (Alt and Lowry 2000; Dye 1966, 1984; Garand 1988; Hofferbert 1966; Kousser 2002; Smith 1997; Winters 1976; but see McAtee, Yackee, and Lowery 2003 for a relaxation of the latter assumption). None of these studies has found that

governors can move policy in their preferred direction in a statistically significant manner.

Instead of using party affiliations as a proxy, we chose to measure executive preferences directly, by recording the percentage change in per capita expenditures that the governor proposes at the beginning of the year. Our choice is similar to Clark's (1998) strategy of gathering gubernatorial recommendations for agency budgets from 20 states and Canes-Wrone's (2001) use of presidential budget proposals to analyze federal bargaining. A dataset that systematically gathered legislative budget proposals would be ideal, but no such dataset exists. Still, using gubernatorial proposals for spending changes as an independent variable and legislative enactments as our dependent variable, we can see how far different types of legislatures shift policy from what the governor wants. This is the same empirical strategy that Kiewiet and McCubbins (1988) employed in their influential study of presidential-congressional bargaining.

As mentioned previously, we collected our dataset of gubernatorial budget proposals and enacted state budgets from various issues of *The Fiscal Survey of States*, a publication of the National Association of State Budget Officers (NASBO). Each year, NASBO conducts two surveys of state budget officials to identify trends and changes in state fiscal policy. The spring survey gathers information concerning the governor's proposed general-fund budget, and the autumn survey identifies details of the enacted budget (usually Table A-3 in both reports). Our analysis includes data for all states over a 16-year period, fiscal years 1989 through 2004. Data prior to fiscal year 1988 are unavailable. Since NASBO consistently reports data in current dollars, we converted the values for each year into 2000 dollars using the Consumer Price Index for all urban consumers (CPI-U).

Evaluating the predictive power of the staring-match model also required us to identify an appropriate measure of the professionalization of state legislatures. A venerable literature in state politics has demonstrated the importance of variation in legislative salaries, session lengths, staff support, and other resources (Berry, Berkman, and Schneiderman 2000; Fiorina 1994; Hamm and Moncrief 2004; Karnig and Sigelman 1975; Roeder 1979; Squire and Hamm 2005; Thompson 1986). Many researchers follow Squire (1992, 72) or King (2000, 329), combining the components of legislative professionalism into a single index. To be consistent with the existing literature, we began with this approach. We employed the widely used trichotomous categorization developed by the National Conference of State Legislatures (NCSL), as well as Squire's (1992) continuous index. Both measures are based

upon the length of time that legislators spend in session, the amount of their total compensation, and the number of legislative staff members. Because levels of state professionalism changed dramatically from the 1960s through the 1980s but were relatively stable during our period of study, both of our measures are constant in each state across time. We recast the NCSL's red, white, and blue categories as "professional," "semiprofessional," and "citizen." As a report by the NCSL (2005) details, lawmakers in professionalized bodies dedicate much more time to legislative service, earn about four times as much, and work with eight times as many staff members as their counterparts in citizen legislatures.

We began our analysis by examining, for each type of legislature, the bivariate relationship between the governor's proposed budget and the enacted budget in all states, with three exclusions. We excluded Alaska and Wyoming because they both rely heavily upon severance taxes on natural resources. The use of severance taxes results in fairly dramatic year-to-year variation in tax revenues and thus expenditures. These variations are driven largely by the global commodities market, as opposed to the budgetary choices of legislators and governors (Matusaka 2004). We also excluded Nebraska because of its non-partisan legislature.

Our preliminary results, reported in Table 1, are entirely consistent with the hypotheses derived from the staring-match model. Across all three categories of legislatures, the coefficient on the variable that measures the size of the gubernatorial budget proposal is positive and statistically significant at the 99% level. This result provides support for our contention that governors are consistently powerful in the budgetary arena (Hypothesis 1). As predicted in Hypothesis 2, the magnitude of the effect is inversely related to legislative professionalization. Among citizen bodies, this coefficient is 0.86. Substantively, this finding indicates that when a governor negotiating with a citizen legislature proposes increasing the budget by 1%, the final enacted budget should increase by 0.86%. A proposed cut in spending—although empirically much rarer—would bring an analogous decrease in the size of the budget. When a governor negotiates with a more-professional legislature, however, the governor's power to dictate fiscal outcomes declines. A proposed change of 1% leads to an enacted increase of only 0.73% when the governor negotiates with a semiprofessional legislature and a 0.46% change when the governor faces a professional house. These differences, we will later show, are statistically meaningful and still present when other factors are held constant. Furthermore, among states with citizen legislatures,

TABLE 1
Governor's Influence by Type of Legislature

Variables	Citizen Legislatures	Semiprofessional Legislatures	Professional Legislatures	All Legislatures
Governor's Proposal	.86** (.05)	.73** (.08)	.46** (.07)	.90** (.07)
Squire's Index of Professionalism (1992)	—	—	—	.01 (1.68)
Governor's Proposal × Squire's Index of Professionalism	—	—	—	-.83** (0.20)
Constant	1.34** (.29)	1.98** (.44)	1.57** (.56)	1.62** (0.46)
N	286	370	178	852
R ²	.48	.18	.19	.25

Note: Table entries are regression coefficients. In the "All Legislatures" model, the estimated coefficient for a governor's proposal represents the effect that this variable would have in a hypothetical legislature with a "0" level of professionalism, measured on Squire's scale.

** $p < .01$.

the governor's budgetary proposal alone explains almost half of the variation in outcomes, but among states with more-professionalized legislative bodies, the governor's proposal accounts for less than 20% of the variation in outcomes.

The last column in Table 1 combines data from all three types of legislatures with an interaction testing the hypothesis that a governor's proposal will have a smaller effect on the final budget outcome when the legislature is more professional according to Squire's (1992) continuous measure. This interaction effect is strongly significant in the expected direction. To interpret it, we obtained the effect of a governor's proposal when the legislature has a given level of professionalism; we added the product of that given level and the interaction coefficient (-0.83) to the estimated coefficient of a governor's proposal alone (0.90). The results indicate that a governor's proposed 1% increase in the size of the budget should translate into a 0.88% increase in spending when the governor negotiates with a legislature like Utah's, which is one standard deviation below the mean level of professionalism, but only a 0.62% increase when the state's legislative professionalism registers one standard deviation above the mean, as in Pennsylvania.

Altogether, these results provide preliminary evidence that governors, while powerful, are less influential in the face of legislatures that meet in long sessions, pay high salaries, and provide staff support.

The results reported in Table 1 may of course reflect the influence of omitted variables. We addressed this problem by conducting a multiple regression analysis that included a number of potentially influential political and economic variables. The first of these variables is the partisan composition of the legislature. Existing research in state politics has found evidence, albeit weak and oftentimes conditional, that Democratic control of the legislature leads to a larger state public sector and larger year-to-year increases in expenditures or revenues (Alt and Lowry 1994, 2000; Phillips 2005). To allow for this possibility, we employed a continuous measure of the legislative strength of the Democratic Party in each state, calculated as the weighted percentage of Democrats serving in both the state's lower and upper legislative chambers, recorded from appropriate editions of the Council of State Governments' *Book of the States*. Smith (1997) has identified this approach as the most appropriate method for capturing the partisan makeup of state government. Additionally, we accounted for cross-sectional variations in the timing of state budget processes to ensure that our measure accurately reflects the partisan composition of the legislature at the time the budget was passed and signed into law. Because empirical exploration indicated that the power of governors was not contingent upon the presence of divided government,¹⁵ we did not include any measures of divided government in the models presented. Similarly, although the results of an unreported analysis showed that governors who possess more institutional budget powers according to Beyle's (2004) index exert more influence over fiscal changes, we omitted this test from our final models, because the effect fell short of statistical significance and would have required three-way interactions. We also omitted from the final reported models potential control factors such as whether a state had an annual or biennial budget and whether or not it allowed continuing resolutions. These factors (either entered alone or in interaction with a governor's proposal) did not have large or statistically significant effects, and their exclusion did not substantially change the estimated effects of our key variables of interest.

Previous research has also shown that economic factors are important determinants of state budgetary policy (Dye 1966, 1984; Winters 1976). We allowed for these influences by utilizing, as independent variables, per capita income (measured in thousands of dollars) and the state-level unemployment rate (both taken from the U.S. Census

Bureau's *Statistical Abstract of the United States*). To control for the possibility that state expenditures increase during election years (that is, the presence of a political business cycle), we included a dummy variable for years in which lawmakers must run for reelection, as reported in the *Book of the States*. Finally, following Phillips's (2005) work, we also included the previous year's per capita expenditures, as reported in NASBO records, to control for status quo fiscal policy and a lagged measure of the state's budget surplus or deficit (measured as a share of the total budget).

All of our econometric estimations also utilize year and state fixed effects. The year fixed effects control for common shocks that affect all states in a given year, such as changes in the national or global economy or changes in the national political environment. The state fixed effects capture all relevant variables that are idiosyncratic to individual states or that remain unchanged over the time period of our analysis, such as culture, voter ideology, and political institutions. Of particular relevance, fixed effects control for other features of the bargaining environment that may enhance a governor's ability to prevail in battles over the size of the state budget, such as the item veto and gubernatorial impoundment powers.

The first of our multiple regression results are reported in Table 2. Model 1 is a baseline estimation that includes all states but does not account for cross-sectional variation in legislative professionalization. As in Table 1, the coefficient on the governor's proposal is positive and statistically significant, indicating that governors are powerful actors in the budgetary arena even after one controls for a number of potentially confounding influences. Model 2 is a direct test of our second hypothesis. Here the governor's budgetary proposal is interacted with two dummy variables: one for the existence of a semi-professional legislature and the other for a citizen body. The reference category in this regression is professional legislatures. We did not include separate dummy variables for each legislative type in the equation because we used fixed effects, which account for the independent effect of professionalization.¹⁶

This new estimation provides the strongest evidence yet for the staring-match model. Once again, the size of the governor's proposed budget has a significant and positive effect on the size of the budget ultimately adopted by the legislature and signed into law. Most important, the coefficients on the interaction terms are also positive and significant at the 99% level: the effect of the gubernatorial proposal on the final budget increases in a statistically meaningful fashion as the professionalization of the legislature declines. When the governor

TABLE 2
 Governor's Influence by Type of Legislature,
 Full Multiple Regression

Variables	Model 1	Model 2	Model 3a (Squire 1992)	Model 3b (Squire 2007)
Governor's Proposal	.50** (.05)	.29** (.07)	.80** (.08)	.92** (.09)
Governor's Proposal × Semiprofessional Legislature	—	.25* (.10)	—	—
Governor's Proposal × Citizen Legislature	—	.49** (.11)	—	—
Governor's Proposal × Squire's Index of Professionalism	—	—	-.96** (.21)	-1.05** (.23)
Squire's Index of Professionalism	—	—	—	5.32 (8.20)
% Democrat Legislature	-.06 (.05)	-.07 (.05)	-.07 (.05)	-.08 (.05)
Lagged Expenditures per Capita	-.01** (.002)	-.01** (.002)	-.01** (.002)	-.00 (.00)
Legislative Election Year	1.38 (.77)	1.56* (.76)	1.58* (.76)	1.91** (.83)
Unemployment Rate	-.48 (.36)	-.56 (.36)	-.58 (.36)	-.66 (.40)
Personal Income per Capita	1.01** (.37)	1.02** (.40)	1.01** (.37)	.63* (.38)
% Lagged Surplus	.07 (.06)	.03 (.06)	.03 (.06)	.03 (.07)
Constant	-5.96 (9.49)	-4.02 (9.39)	-3.15 (9.39)	-7.15 (10.31)
N	787	787	787	787
R ²	.30	.32	.32	.30

Note: Estimated using state and year fixed effects.

** $p < .01$; * $p < .05$.

negotiates with a professional legislature, an executive proposal for an additional 1% increase in state spending per capita leads to only a 0.29% change in the legislature's enacted budget, all else being equal. When the legislature is semiprofessional, this marginal effect grows to 0.54%. It rises to 0.78% when the governor negotiates with citizen legislators.

Tests also show that the difference between the coefficients on our two interaction terms is itself statistically significant at the 95% level: not only does the governor get significantly more of what she or he wants when the chamber shifts from professional (our baseline category) to citizen or semiprofessional, but the governor also gets significantly more of what she or he wants when the chamber shifts from professional to semiprofessional. These findings are consistent with the bivariate results shown in Table 1, as well as with the results of Models 3a and 3b, which use Squire's (1992) continuous measure of legislative professionalism and Squire's (2007) updated, dynamic measure¹⁷ rather than the trichotomous categorization. Again the statistically significant coefficient on the interaction between a governor's proposal and the level of professionalism suggests that chief executives have less power when bargaining with full-time legislatures.

Thus far we have discussed a measure of legislative professionalization that aggregates the various components of this concept—session length, compensation, and staff—into a single indicator. While there are strong theoretical and empirical reasons for this aggregation, the staring-match model makes a prediction about which of these components matter. In particular, it suggests that session length is the primary factor affecting the legislature's patience and thus the governor's power. By contrast, our application of the staring-match logic does not predict that increased staffing will affect the balance of power between the branches because it affects a legislature's informational capacity rather than its patience. High salaries, which can free legislators from other obligations, might also affect patience, but members of houses that regularly meet for full-time sessions should exhibit the highest levels of patience. To examine this claim and to further explore the relationship between legislative structure and bargaining outcomes, we replaced our summary measures with the separate components of professionalism. The first measure records a legislature's level of compensation, including both base salary and per diem expenses. The second measures session length, in legislative days per biennium, and the third reflects the ratio of staff per legislator. Because staff, salary, and session length are not perfectly collinear,¹⁸ we estimated their separate effects.

The results reported in Table 3 explore the effects of each of these components of legislative professionalism on gubernatorial power. Models 4, 5, and 6 estimate the influence of each component separately, and Model 7 tests their combined effects. Whether analyzed separately or together, the story is the same: session length provides the link between professionalism and executive power, with the governor exerting less control over the budget when a house meets for longer and longer sessions. The interaction between total session days and a governor's proposal is statistically significant in the expected direction, but changes in the other two components do not significantly alter the effect of executive proposals. To gauge the scale of the effect of session length, we calculated the effect, according to the results in our fully specified Model 7, of shifting this variable from one standard deviation below its mean to one deviation above its mean. Consider two legislatures, both of which pay the average salary in our sample (about \$25,000 a year), provide average staffing levels (3.5 assistants per legislator), and exhibit similar values on all of the control variables. If one of these legislatures meets for 66 days over a two-year period (a typical session for North Dakota's legislature), then every extra percentage-point increase in spending proposed by the governor translates into a 0.78% increase in the enacted budget. If a house is similar in all other respects but meets for 263 days per biennium, as Wisconsin did for 1997 and 1998, then a change of 1% in the governor's proposal yields only an estimated 0.59% change in the budget that the legislature finally enacts. This finding is consistent with our conjecture that a full-time house has the patience to strengthen its bargaining position against the governor, thus supporting the logic of the staring-match model.

The results presented up to this point suggest that interbranch negotiations over the size of the state budget are better conceptualized using a staring-match model than with a setter model. Nevertheless, one potential counterclaim is that the setter model may still be appropriate for the handful of states in which continuing resolutions are allowed. We do not see, however, why this would be true. Remember that continuing resolutions in those states that allow them are (at best) short-term solutions—none can become permanent. Furthermore, their use does not insulate the governor and legislature from the high political and personal costs associated with a late budget. Continuing resolutions operate quite differently at the national level. Continuing resolutions are used by Congress and the president on well over half of all budget bills, and they can be utilized for many months or longer (Meyers 1997). In fact, President Clinton and the Republican-controlled

TABLE 3
Governor's Influence by Each Component
of Legislative Professionalism

Variables	Model 4	Model 5	Model 6	Model 7
Governor's Proposal	.52** (.07)	.83** (.08)	.56** (.07)	.80** (.08)
Salary (in \$1,000s)	.02 (.04)	—	—	.04 (.04)
Governor's Proposal × Salary	-.001 (.002)	—	—	.005 (.003)
Session Length (hundreds of days)	—	-.002 (.53)	—	-.06 (.53)
Governor's Proposal × Session Length	—	-.12** (.02)	—	-.13** (.02)
Staff per Member	—	—	-.19 (.43)	.02 (.45)
Governor's Proposal × Staff per Member	—	—	-.01 (.01)	-.017 (.014)
% Democrat Legislature	-.06 (.05)	-.07 (.05)	-.06 (.05)	-.07 (.05)
Lagged Expenditures per Capita	-.01** (.002)	-.01** (.002)	-.01** (.002)	-.01** (.002)
Legislative Election Year	1.38 (.77)	1.64* (.78)	1.44 (.77)	1.71* (.76)
Unemployment Rate	-.47 (.36)	-.59 (.33)	-.51 (.36)	-.60 (.36)
Personal Income per Capita (in \$1,000s)	1.04** (.38)	.97** (.36)	1.03** (.37)	1.01** (.37)
% Lagged Surplus	.06 (.64)	.02 (.06)	.06 (.06)	.01 (.06)
Constant	-6.83 (9.60)	-1.98 (9.36)	-5.39 (9.65)	-3.55 (9.76)
N	787	787	787	787
R ²	.30	.33	.30	.34

Note: Estimated using state and year fixed effects.

** $p < .01$; * $p < .05$.

Congress, unable to reach a budget agreement in fiscal year 1999, funded the federal government for the entire year using a series of seven continuing resolutions (Davidson, Oleszek, and Lee 2007).

Still, we empirically tested whether or not the availability of continuing resolutions affects gubernatorial power in Model 8. To do so, we reestimated Model 5, this time including an interaction between the governor's budgetary proposal and a dummy for whether or not continuing resolutions are expressly allowed. The results are presented in Table 4. We found no meaningful effect. The coefficient on the new interaction terms is negative and small in magnitude, and it fails to even approach statistical significance. Because some states have no legal provision regarding the use of continuing resolutions and no test case (because of the lack of late budgets), we also made use of several alternative codings. Specifically, we created dummy variables for states where continuing resolutions *may* be allowed (those where continuing resolutions are expressly authorized and those where there is no provision regarding their use), states where a late budget triggers a full government shutdown, and states where a late budget triggers either a full or partial shutdown.¹⁹ These dummy variables are used in Models 9 through 11, with the results also shown in Table 4. Again we found no effect. In each of these estimations, the interaction between gubernatorial budget proposals and legislative session length (the most theoretically relevant component of legislative professionalization) remains negative and statistically significant, providing additional evidence that staring-match models are preferable to setter models for conceptualizing state budget bargaining.

The Potential Endogeneity in Gubernatorial Budget Requests

It is also important to consider the extent to which state chief executives have an incentive to misrepresent their preferences when they submit their proposed budgets and whether or not this misrepresentation would bias our econometric results. Governors may, for instance, foresee legislative strength and adjust their budgetary proposals accordingly. According to this logic, governors facing professional legislatures would weaken their initial offers, moving closer to their legislatures' ideal points. Governors negotiating with citizen legislatures would have no incentive to adjust their proposals, since they should be able prevail in budgetary negotiations, given the institutional weakness of citizen legislatures.

We doubt, however, that governors frequently "game" their budgetary proposals in this manner. When governors present their

TABLE 4
 Governor's Influence by Legislative Professionalization
 and Status Quo Point

Variables	Model 8	Model 9	Model 10	Model 11
Governor's Proposal	.81** (.08)	.85** (.08)	.83** (.09)	.81** (.09)
Session Length (hundreds of days)	-.02 (.53)	-.03 (.53)	-.02 (.53)	-.01 (.53)
Governor's Proposal × Session Length	-.10** (.03)	-.10** (.02)	-.12** (.02)	-.12** (.02)
Governor's Proposal × Continuing Resolutions Allowed	-.14 (.14)	—	—	—
Governor's Proposal × Continuing Resolutions May Be Allowed	—	-.15 (.10)	—	—
Full Shutdown	—	—	.002 (.10)	—
Full or Partial Shutdown	—	—	—	.03 (.09)
% Democrat Legislature	-.07 (.05)	-.07 (.05)	-.07 (.05)	-.07 (.05)
Lagged Expenditures per Capita	-.01** (.002)	-.01** (.002)	-.01** (.002)	-.01** (.002)
Legislative Election Year	1.63* (.76)	1.64* (.76)	1.65* (.76)	-1.64* (.76)
Unemployment Rate	-.56 (.35)	-.57 (.35)	-.55 (.35)	-.55 (.35)
Personal Income per Capita (in \$1,000s)	.97** (.36)	1.00** (.36)	.97** (.37)	.97** (.37)
% Lagged Surplus	.02 (.06)	.02 (.06)	.02 (.06)	.02 (.06)
Constant	-1.94 (9.36)	-2.04 (9.36)	-1.99 (9.38)	-2.06 (9.37)
N	787	787	787	787
R ²	.33	.33	.33	.33

Note: Estimated using state and year fixed effects.

** $p < .01$; * $p < .05$.

budgets, they send a signal to voters, interest groups, and campaign contributors about their governing philosophy and legislative priorities. Surely governors realize the signaling role of their actions and make proposals accordingly. Moreover, the public is not likely to understand or appreciate complicated strategies, and officials may not be able to explain them effectively. Such considerations should attenuate any impulse the governor may have to game the proposed budget (Denzau, Riker, and Shepsle 1985).

If, however, governors facing highly professionalized legislatures do systematically move their initial budget proposals closer to their legislatures' ideal points, then the observed effect should be a stronger relationship between executive proposals and enacted budgets. In other words, the possibility of strategic misrepresentation should bias our results *against* finding that governors are less powerful in states with professionalized legislatures. This result is, of course, the opposite of what our econometric estimations actually reveal. We have strong evidence that governors are least powerful in states with these legislatures. Thus, we are even more confident that the insight provided by the staring-match model is correct and that initial gubernatorial budget proposals are sincere.

To further satisfy skeptical readers, we empirically tested for the possibility that gubernatorial budgetary proposals are gamed. These results appear in the Appendix, available on the *LSQ* website <http://www.uiowa.edu/~lsq/KousserPhillips_Appendix>. We examined whether or not Democratic and Republican governors systematically alter the size of their proposals when facing professional (that is, strong) legislatures controlled by the opposition party. We did not uncover any evidence suggesting that governors' initial offers are shaped by the strategic situations they face. Thus, we are confident that executive budgetary proposals are not endogenous to states' institutional configurations.

Conclusion and Implications

Attempts to assess the budgetary influence of state legislators and governors have traditionally relied upon spatial or setter models of policymaking imported from studies of the U.S. Congress. In these models, legislators, through their monopoly on proposal power and their ability to credibly threaten to keep expenditures at the status quo level, have substantially greater influence on budget making than governors wield. This result contradicts numerous qualitative analyses in the state politics literature that find that governors are the chief

legislators in the budgetary arena. We proposed and tested an alternative simplification of state budgeting modeled on the games developed by Rubinstein (1982, 1985) and Osborne and Rubinstein (1990) and applied to states by Kousser (2005). Governors are quite potent in this staring-match model, and the power of legislators declines when shorter sessions or lower salaries make them impatient and willing to make a deal.

Using an original dataset of gubernatorial budget proposals and legislatively enacted state budgets, we explored the model's predictions. Overall, we found striking evidence of gubernatorial influence. Our econometric estimations show that, across all types of legislatures, the chief executive's proposed budget has a positive and statistically significant effect on the budget that is ultimately passed and signed into law. Most important, however, the influence of legislators is closely linked to levels of legislative professionalism. Legislators can drive a particularly hard bargain when they typically hold long sessions; session length is the component of professionalism most closely linked to the theoretical concept of bargaining patience. This empirical relationship may be driven by something other than variation in patience: full-time legislators might acquire more policy knowledge or political acumen during their longer sessions, or full-time work might attract a different type of legislator. Still, this finding is consistent with our theoretical model and shows the importance of separating the session length component from the staff and salary components. Just as Alt and Lowry's (1994, 2000) work demonstrated the centrality of state institutions and party control in determining fiscal outcomes, our empirical analysis reveals the power of governors and the important mediating effect of legislative professionalism.

We believe that these findings yield three more-general lessons for the study of bargaining between governmental branches. First, when researchers apply formal models of bargaining, one size does not fit all legislatures. Although setter models may capture the key dynamics of federal budget bargaining in the U.S. Congress, where a continuing resolution is a realistic reversionary outcome, these models do not appear to fit well with states that demand that a new budget be passed every year. Second, while variation in legislative professionalism clearly determines legislative power, it is session length—more than salary or staff—that appears to drive this trend. Isolating the theoretically distinct components of legislative professionalism can yield new insights into this variable's importance. Finally, directly measuring governors' preferences, rather than inferring them from party affiliations, demonstrates the significant influence that these preferences exert

over state policy. Overall, by closely examining the way that institutional contexts shape the strategies available to political actors, we can uncover links between rules, political reforms, and bargaining outcomes that may have implications for broader comparative studies.

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NOTES

1. The time series of legislative and gubernatorial approval in California reported by the Field Poll reveals how severe these penalties can be. In the first two years of Governor Gray Davis's administration, 1999 and 2000, the branches reached budget deals before the start of the new fiscal year. During Davis's last two years, 2002 and 2003, negotiations dragged into September and August (Wilson and Ebbert 2006, 276). In 1999 and 2000, the governor's and the legislature's approval ratings remained essentially constant over the summer. But the legislature's approval ratings dropped from 45% to 35% from July to September of 2002 and from 31% to 19% from April to July of 2003 (Field Poll 2004, 2). Davis's already-low ratings edged downward as well in each of those summers (Field Poll 2003, 3).

2. When the 2001 budget deal in New York was delayed, 84% of survey respondents were "very concerned" or "somewhat concerned" about the budget, and 63% blamed both Governor Pataki and the state legislature (Quinnipiac 2001). In 2004, 81% of polled New Yorkers voiced concern over the state's late budget, and 46% said that it made them more willing to vote out incumbents (Caruso 2004).

3. When New Mexico's budget was delayed in 2000, Governor Gary Johnson and the legislative leaders all polled poorly and "New Mexico voters faulted Johnson and lawmakers almost equally for their failure to reach agreement during the session on a \$3 billion budget" ("Voters Unimpressed with Johnson, Lawmakers," *Albuquerque Journal*, 19 March 2000, A1).

4. Unified government does not guarantee executive-legislative agreement over the budget. In Massachusetts, for instance, Democratic governor Michael Dukakis consistently had his budget rewritten by the legislature, which was overwhelmingly controlled by his own party (Beyle 2004; Rosenthal 1990).

5. Our application of this model operates as a metaphor for the informal negotiations between the governor and legislative leaders—such as California's "Big Five" or Illinois's "Four Tops"—that take place behind closed doors and allow either side to initiate negotiations or to make detailed counteroffers. We believe that ignoring these negotiations and focusing solely on budget bills and vetoes neglects the key dynamics that drive interbranch bargaining.

6. By contrast, Alt and Lowry (1994, 813) specify the reversion point of their model as follows: "If the legislature fails to make a proposal or if a proposal is vetoed and the veto is sustained, then we assume that the budget is set equal to its reversion level, which is the previous year's expected levels plus any persistent effects of the unforeseen shock." Indeed, as we note, nine states explicitly permit continuing resolutions that would preserve the status quo in this way. But, we argue, even in these states, preserving the status quo is no more attractive to the legislature than it is to the governor. Whatever happens when a budget is late, whether it is a shutdown or a continuing resolution, imposes high costs on both branches of government. The payoff that both branches receive from the ultimate deal is eroded, preventing legislators from credibly threatening to live with the status quo if the governor rejects their offer.

7. Since the Nash prediction is quite vague in this case—any division of the dollar can be reached in the first round in equilibrium, because players can make threats that are not credible—Osborne and Rubinstein (1990) employed Selten's (1975) notion of a subgame perfect equilibrium, which requires that best responses be played at every point in the game that begins a subgame (see Morrow 1994). Subgame perfection generally refines the set of acceptable equilibrium strategies and, in this case, generates a unique prediction.

8. Governors can exert influence over the size of government even in setter models, as Alt and Lowry describe: "Divided cases produce target levels somewhere between those of the parties" (1994, 820) and "In neither case does the legislature get all it wants . . . as it must consider the threat of a veto" (2000, 1042). Nevertheless, the power that governors have in a setter model is primarily negative; the veto gives them the ability to put a break on high-spending legislatures. In our staring-match model, the governor's ability to make an offer to the legislature regarding the size of government gives the governor positive power to shape spending levels.

9. Legislatures in 30 states have the authority to call their own special sessions (Council of State Governments 2000), but they are often forced to do so by a governor's veto. Although special sessions are not often called to resolve legislative-executive conflicts, the threat of a special session is not unimportant. Delayed bargains are off the equilibrium path of Rubinstein's basic model, but they are weapons that do not need to be unsheathed to be powerful.

10. Even the lowest-paid governor, Maine's chief executive, earns \$70,000 a year (Council of State Governments 2005).

11. Interview by Thad Kousser, Salem, Oregon, July 8, 2001.

12. More than a month after New Mexico's one-month session came to a close without a budget deal, the governor called the state's citizen legislators back to Santa Fe for a special session. One legislator opined that such meetings "[C]ertainly are not special. They are absolutely routine and, in my opinion, very annoying" ("Only Thing Special about These Sessions Are Lessons," *Albuquerque Tribune*, 4 April 2000, C-2). In addition to exacting private costs, the session cost the legislature \$45,000 a day to run and generated political controversy. One legislator said, "I think it would behoove all of us to be out of here by Saturday. I can just see a lot of really ugly newspaper stories . . . if we're still in session on April Fool's" (Mark Hummels, "They're Back," *Santa Fe New Mexican*, 28 March 2000, A-1). Perhaps because of their hurry, the legislators passed a budget that was a "political home run" for the governor ("Vetoes Enact Tax Reduction," *Albuquerque Journal*, 22 April 2000, E-3).

13. In 2007, five of the six states in which a budget standoff dragged on past the beginning of the next fiscal year—California, Illinois, Michigan, Pennsylvania, and Wisconsin—had professional legislatures that typically met at least 20 months in a two-year biennium (personal communication between the authors and Arturo Perez of the National Conference of State Legislatures). Historically, New York and California, both of which have highly professionalized legislatures, have been plagued by late budgets. As of fiscal year 2005, 20 of the last 21 budgets in New York were adopted well after the legal deadline (McMahon 2005). Similarly, the governor and legislature in California have failed to adopt a budget on time since fiscal year 1987 (California Department of Finance 2007).

14. We tested a parallel set of models that used changes in real per capita spending, rather than changes as a percent of past spending, to measure both the governor's proposals and final outcomes. The models yielded substantively identical results to those presented here.

15. In a separate analysis, we interacted the governor's proposal with the presence of divided government, measured first by whether or not the party opposing the governor controlled both houses of the legislature and second by whether or not the opposing party controlled one legislative house. Neither interaction was statistically significant. See analysis by Bowling and Ferguson (2001) and Ferguson (2003) for explorations of the contingent effects of divided government on state legislative gridlock and the fate of gubernatorial proposals.

16. Because we used fixed effects, we identified the effect of professionalization in Models 2 and 3 by the variation in the size of the governor's proposal.

17. Model 3b uses the dynamic professionalism scores reported by Squire (2007, 220–21). For observations up to fiscal year 1996, we used Squire's 1986 scores. For fiscal years 1996 through 2003, we used Squire's 1996 scores. For the remaining years, we used Squire's 2003 scores. We also included professionalism by itself in this model since, as a dynamic measure, it was no longer correlated with each state's fixed effects. Because these results were nearly identical to the ones obtained using the scores reported by Squire (1992) and used most often in the literature, elsewhere in our analysis we used only the Squire (1992) scores.

18. The two-way correlations in our dataset are 0.51 between salary and session length, 0.67 between salary and staff size, and 0.49 between session length and staff size.

19. These categories represent the possible processes identified in the online version of Grooters and Eckl's (1998) table, available at the NCSL website <<http://www.ncsl.org/programs/fiscal/lbptabls/lbpc6t4.htm>>. We found no consistent relationship between legislative professionalization and these variables.

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