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Budget Policy and Fiscal Crisis: A Political Matrix

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A Political Matrix

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A study of 134 Rhode Island programs, administered during the state's budget crisis in the fiscal years 1987 to 1991, yielded a number of important lessons. The more mandated formula spending there was in a budget, the more uncontrollable was the budget. There is a spending bias ingrained in the political culture. Some nonentitlement spending can be difficult to curtail. Cutback management strategies are inadequate to address significant revenue shortfalls. The authors present a political budget matrix designed to assist budget policymakers and staff in making educated assumptions about the way categories of programs may be treated during times of severe fiscal stress. The matrix takes into account such elements as formulas, labor intensity, and position on the political agenda.

"What a revolting development!" declared Riley, the beloved 1950s television character, as he faced yet another family dilemma. He summed up the feelings of northeastern state legislators and their budget staffs as they struggle with endless red ink. Tough choices continue to face the lawmakers — cut spending and/or raise taxes.

Budgeting is a political act. Our budgetary matrix is designed to help budget policymakers and staffs make educated assumptions, perhaps even forecasts, about the way programs may be treated during periods of fiscal stress. The matrix can also assist in understanding the degree to which incrementalism remains in place during fiscal crisis. And, to assess the results of decremental budgeting, it determines whether the budget produces marginal downward spending adjustments or a more fundamental shift of resources from one program to another. We used the budgetary results for 134 Rhode Island programs for fiscal years 1987–1991 to develop the matrix. With each program having a more than $1 million appropriation in FY 1991, the total made up 95 percent of all state spending. The matrix subsequently was used to assess the budget outcomes of FY 1991–1992.

Four general lessons that have universal applicability for state-level budget policymakers emerged from the analysis. The first is not new, having been discussed at length in budgeting literature: the more mandated formula spending under current law, the more uncontrollable the budget.[1] A budget that is heavily entitled cannot be readily

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adjusted nor can outlays be controlled through the annual appropriations process. The budget is vulnerable because, when appropriations are left open-ended to accommodate formula requirements and cost of living adjustments, the government becomes less able to respond to unfavorable revenue forecasts and economic projections.

Another key lesson, also not new, is that a clear governmental spending bias is ingrained in the political culture.[2] That bias remains in place in times of fiscal crisis, even when political "no new taxes" promises have reduced a state's revenue-raising capacity. In this study of five fiscal years, more than half the state's spending, including nonentitlement expenditures, occurred at rates exceeding any reasonable definition of incrementalism — the habitual small, upward-creeping tendencies of budgets so often associated with public budgeting.[3] Rhode Island's spending continued unabated throughout the early years of the fiscal crisis.

The third lesson is that nonentitlement programs which are high on the political agenda, and in which there is significant political elite involvement, are as hard to control as entitlements. However, while it can be difficult to control nonentitlement spending, far more nonentitlement programs can be cut.

The fourth lesson is that short-term cutback strategies are woefully inadequate to address significant revenue shortfalls.[4] Our analysis begins with this last, but important point.

Traditional cutback management techniques were dutifully used to address the crisis. Once these tough-choice avoidance strategies were exhausted, policymakers turned to program reductions. The matrix describes succinctly the outcomes of their eventual choices.

The Political Response to the Emerging Budget Crisis

Rhode Island was a victim of its own success in raising revenues and expanding services during the 1980s. A sudden early-to-mid-decade boom economy flooded the state treasury with new revenues. Yet state government spending outpaced its revenues as spending initiatives blossomed (see Table 1). The governor and legislature showed no inclination to restrain their largess during that period.

Table 1

Comparing Revenues and Expenditures
Fiscal Years 1986-1990

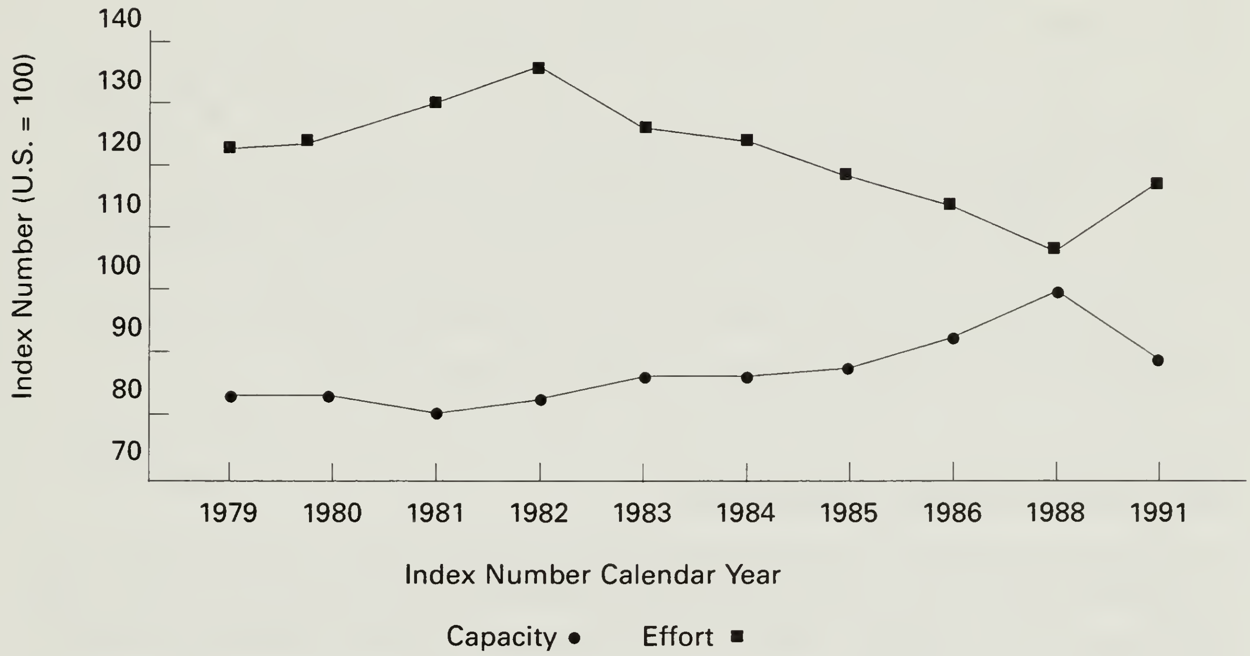
Fiscal Year	General Revenue (in 000,000s)	Percentage Change	General Expenditures (in 000,000s)	Percentage Change
1986	1,022.6	—	1,052.4	—
1987	1,165.8	14.0	1,130.9	7.5
1988	1,247.9	7.0	1,255.7	11.0
1989	1,293.2	3.6	1,399.7	11.5
1990	1,374.0	6.3	1,489.7	6.4

Source: State of Rhode Island, Department of Administration, budgets as enacted for the appropriate year.

The boom years also witnessed an increase in the state's revenue-raising capacity. Rhode Island's tax power is historically below the national average, but its tax effort is often above the national average (see Figure 1). During the mid-1980s Rhode Island reduced its tax effort by enacting a series of rate reductions in its income tax, which is a "piggyback" on the federal tax. By 1988, at the outset of the fiscal crisis, the state's tax capacity and effort were approaching the national norms. As Figure 1 clearly shows, from that point on tax capacity and effort diverged sharply, a direct result of the fiscal crisis.

Figure 1

Rhode Island Tax Capacity and Effort 1979–1991



Source: Advisory Commission on Intergovernmental Relations, "1991 State Fiscal Capacity and Effort" (Washington, D.C.: ACIR, August 1993).

Underlying the apparently healthy 1980s economy were troubling indicators pointing to the boom's really being a "blip." Policymakers ignored forecast data warning of future trouble. Single-housing permit applications, which are consistently cited as indicators of the robustness of the state's overall economic health, declined precipitously after their peak in 1986 (see Figure 2). Despite a number of lesser peaks, the trend was clearly downward. The warning sign went unheeded, however. State spending continued to grow.

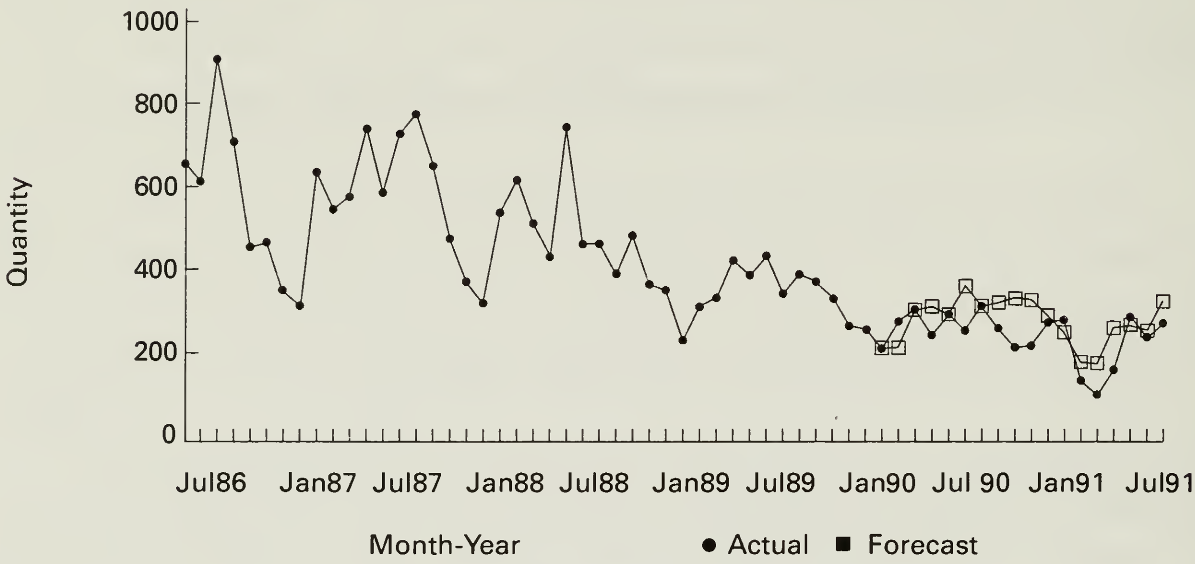
Other ominous signposts appeared in the years following, but state spending proceeded unabated through fiscal years 1988 and 1989. The prime lending rate rose throughout the last few years of the decade. Rhode Island housing prices continued to increase. Rising mortgage rates and housing prices meant that fewer Rhode Islanders were able to afford a home. After peaking in 1988, housing sales declined rapidly.

By fiscal 1989–1990, significant political capital had accrued to both the legislature and governor because state income tax rates were reduced four times between 1986 and

1988. All the while revenues continued to rise. However, Rhode Island officeholders reluctantly cashed in this political capital to overcome fiscal stress once revenues began to decline.

Figure 2

Rhode Island Housing Permits 1986–1991



Sources: Actuals — NEEECO, University of Maine. Forecast — RIHFAS

The Cutback Management Response

Once the state's budget began to bleed in fiscal year 1988–1989, and hemorrhaged between 1990 and 1992, past spending commitments were threatened. The gap between the needs and expectations of citizens and government employees for public services and benefits widened. The economy could not generate enough growth to sustain tax supported programs without putting unacceptable demands on taxpayers. The new federalism, a seeming "shift and shaft," continued to strain the state coffers.

Tough choices faced the Rhode Island legislature as it struggled to meet the state constitution's balanced budget requirement. Repeatedly, state revenues did not meet forecasted expectations. Fiscal year 1989–1990 saw the emergence of an $86.8 million deficit on a total state budget of about $1.49 billion. Fiscal 1990–1991 realized a nearly $200 million shortfall.

In mid-decade, policymakers had taken a few tentative steps toward developing a financial emergency plan. In 1984 the legislators created a "rainy day" fund, the State Budget Reserve and Cash Stabilization Account. When the first deficit appeared in 1989–1990, the $57 million in that account was depleted almost overnight.

The initial political response of the Rhode Island legislature and governor in the declining revenue years of fiscal 1989–1990 and 1990–1991 was to combine traditional cutback management techniques with revenue "enhancements" and a small personal income tax increase.[5] Any major increases in personal or corporate income tax rates were not deemed politically possible as both governors in office during the crisis took the no-new-taxes pledge. Nevertheless, the state's tax effort increased while its capacity began to decrease as a recession began to take hold. During 1989–1990, traditional cutback management strategies to reduce personnel costs took center stage. An early retirement program was put in place. More than 700 state employees took advantage of an offer "they couldn't refuse." The expected short-term savings were offset somewhat by personnel's rehiring under the state seventy-five-day rule or as consultants. Shifting state-revenue-supported employees to federal "soft money" also became a strategy of choice.

In fiscal year 1990–1991, revenue enhancements came to the forefront, furthering the gap between tax capacity and effort. The principal steps taken were to:

- increase user fees for motor vehicle registration and other services, including the beloved vanity license plates;
- enact a state sunset sales tax increase that raised the tax from 6 to 7 percent, to be phased out over the two subsequent years;
- expand the sales tax to incorporate periodicals;
- increase the state "sin" taxes on alcohol and tobacco as well as the gasoline tax; the latter was increased twice in one year, placing it among the highest in the nation;
- cancel the one percent Public Service Corporation tax reduction scheduled for FY 1991;
- employ creative accounting to define when and how certain receivables would be reported.

Structural changes in the activities supporting the budget process appeared as well. During the last few fiscal years the revenue and spending forecasts of the governor's staff and the legislative fiscal advisers were often in conflict because of different forecasting techniques. To iron them out, a revenue-estimating conference made up of the state's budget officer and the House and Senate fiscal advisers was established in the hope that their combined strengths would improve the quality of forecasts.[6]

None of the strategies worked. Forecasted expenditures for 1990–1991 kept changing for the worse throughout the fall of 1990. By the time a new governor was sworn into office in January 1991, the original FY 1990–1991 budget as enacted was projected to produce a $200 million shortfall, excluding the cost of a looming statewide credit union bailout.

When the potential long-term severity of the crisis emerged during FY 1990–1991, the new governor proposed a midyear adjusted budget package that the legislature quickly passed. The new strategy for coping with fiscal disaster was primarily designed to reduce payroll. The governor proposed and negotiated a ten-day pay deferral plan with state worker and college faculty unions that included an additional nineteen salary deferral days in the following fiscal year. Over 500 layoffs in a state work force of approximately 18,000 were ordered. The state's contribution to the State Teacher's Retirement Fund was deferred.

Unfortunately, fiscal 1991–1992 was no better. Almost immediately the governor had to submit a budget containing the already negotiated pay deferrals and a continuation of the retirement fund strategy. Increases in the personal income tax, however, were off the political table. Reducing program spending took the spotlight — and continues.

A Budget Politics Matrix

Programs are never equal in the competition for finite and shrinking resources. The reduced likelihood of "fair share" increases to cover future costs of current services, or actual cuts in an agency's budget base, even if seemingly decremental ones, makes budgetary competition fierce. The contest becomes even more intense when large portions of the state budget are uncontrollable, whether because of mandated formulas or rough-and-tumble "politics."

Partisans strive to assure that their programs receive their fair share, a "fairness factor" measured here by the percentage increase above or below the median growth rate for all programs. For all programs it was an aggregate 37.9 percent over the five years of the study or roughly 7.5 percent each year. This occurred despite the Rhode Island governor's having, by statute, to recommend to the legislature a budget not to exceed 5.5 percent of the previous year's enacted budget.

There is also a track record with regard to programs' winning their budget share. This "win-lose" account is measured by whether a program's rate of budgetary growth remained steady or was interrupted during the five-year period. Interrupted growth means that a program's budgetary history reflected a pattern of above or below median growth in one year, followed by a subsequent year of no growth or decline, then a subsequent upward rebound and such.

Table 2 presents a budget politics matrix that explains programs' relative budget success or failure in protecting their base and obtaining a fair share. Each cell has a label reflecting the success or failure experienced over the five years of the study: Big Winners, Sprinters, Steady Plodders, and Big Losers.

Knowing whether a program wins or loses its fair share is helpful, but identifying the characteristics associated with winning or losing is also important. We chose the following five criteria commonly found in the public budgeting literature associated with spending decisions to perform the analysis: (1) whether program spending was formula mandated; (2) whether the program was labor intensive, with more than 70 percent of its dollars having been allotted to personnel costs;[7] (3) a program's gaining a place on the state's political agenda — such access requires widespread attention, a concern that action is required, and a public perception that the matter is appropriate for government;[8] (4) the level of political advocacy for a program;[9] and (5) the degree to which the program was a product of a special interest of an individual lawmaker or group of legislators that do not constitute a major voting bloc — those who have adequate political capital to invest in the continuation of their "pet projects." Table 3 summarizes the political characteristics of each cell.

Analysis

Between 1987 and 1991, when the crisis emerged and the budget subsequently hemorrhaged, a spending bias generally continued to manifest itself. Half of all the programs expanded at rates above the median growth rate, accounting for nearly 60 percent of total state spending.

Table 2

Rhode Island State Spending: Fiscal Years 1987–1991
Fairness Factor and Win-Lose Record (Programs = 134)

Fairness Factor: Rate of Growth	Win-Lose Record: Steady Growth		Win-Lose Record: Interrupted Growth	
	Cell I – Big Winners		**Cell II – Sprinters**	
Above Median	31 Total programs	23%	36 Total programs	27%
	Total spending	33%	Total spending	25%
	3 Formula programs	3%	7 Formula programs	5%
	Formula spending	23%	Formula spending	13%
	28 Nonformula programs	20%	29 Nonformula programs	22%
	Nonformula spending	10%	Nonformula spending	12%
	Nonformula Summary			
	7 Labor-int. programs	5%	9 Labor-int. programs	7%
	Labor-int. spending	.2%	Labor-int. spending	2%
	20 Multivar. programs	15%	14 Multivar. programs	11%
	Multivar. spending	9%	Multivar. spending	9%
	1 Pet program	.7%	6 Pet programs	4%
	Pet spending	.4%	Pet spending	1%
	Cell III – Steady Plodders		**Cell IV – Big Losers**	
Below Median	12 Total program	9%	55 Total programs	41%
	Total spending	10%	Total spending	27%
	2 Formula programs	1%	9 Formula programs	7%
	Formula spending	2%	Formula spending	7%
	10 Nonformula programs	7%	46 Nonformula programs	34%
	Nonformula spending	8%	Nonformula spending	20%
	Nonformula Summary			
	8 Labor-int. progams	6%	38 Labor-int. programs	28%
	Labor-int. spending	7%	Labor-int. spending	18%
	1 Multivar. program	.5%	6 Multivar. program	5%
	Multivar. spending	.7%	Multivar. spending	2%
	1 Pet Program	.5%	2 Pet programs	1%
	Pet spending	.3%	Pet spending	.2%

Note: Program percentage: of total programs. Spending percentage: of total spending.
Multivar. = in crisis; high on agenda; high advocacy.

Big Winners

Cell I contains the true uncontrollables — the Big Winners that made up 33 percent of Rhode Island state spending. During 1987–1991 these programs grew at rates far exceeding the 7.5 percent median growth rate for all programs. The degree to which a

Table 3

Political Matrix of Budget Control

Cell I – Big Winners	Cell II – Sprinters
Uncontrollable	Difficult to control
Much entitlement spending	Some entitlement spending
Low labor intensity	Low labor intensity
High visibility/often in crisis/high agenda item	High visibility/often in crisis/high agenda item
Strong advocacy	Strong advocacy
Broad elites	Individual elites
Few pets	Many pets
Cell III – Steady Plodders	**Cell IV – Big Losers**
Incrementalism	Controllable
Little entitlement spending	Little entitlement spending
Labor intensive	Labor intensive
Low visibility	Low visibility
No crisis	No crisis
Low agenda item	Low agenda item
Some advocacy	Weak advocacy
Coalitions	No elites
Few pets	Few pets

budget can be controlled and adjusted in times of fiscal stress depends on keeping the amount of Big Winner spending to a minimum. Cutting the Big Winner programs, that is, moving them out of the uncontrollable arena, is difficult because such an action may have a perceived or real long-term electoral impact on the legislature, or require that the problem be "solved" or redefined in some way.

Two-thirds of Rhode Island Big Winner entitlement spending derived from the politically sensitive, formula-driven State Support for Local School Operations. That program, which accounts for about 20 percent of all state spending, grew at an average annual rate of nearly 11 percent over the five years.[10]

Nonentitlement Big Winners are high-visibility programs, sometimes in crisis, that have generated broad coalitions to support spending. The state's consistent nonentitlement Big Winner policy areas were mental health programs and corrections. Six percent of total state spending in fiscal 1990 was for mental health services.

The Department of Mental Health, Retardation, and Hospitals (MHRH) deinstitutionalization effort was the prime beneficiary. For example, the Mental Retardation Community Services Program, Community Mental Health Program, Community Mental Health Plan, and Mental Health Services for Children grew at average annual rates of 22 percent, 18 percent, 10 percent, and 44 percent, respectively.

Rhode Island's correctional system was, until recently, in crisis. The state operated under a federal district court order to reduce overcrowding at the state Adult Correctional Institute. The facilities unit received an increase of 74 percent over the five years to help alleviate the strain. With the public's view of the need for increased public safety, corrections fared well.

Sprinters

The Sprinters tasted the thrill of victory — growth rates above the median, sometimes significantly so. They also knew the agony of defeat — years when spending increases fell well below the median or declined. These programs waffle between being highly visible, crisis oriented, and less visible "pets." Most of them are nonentitlement programs that account for half the spending in the category. As with Big Winners, fewer Sprinter entitlements make up half the spending in this category. The state's share of Medicaid is a Sprinter because of factors such as the unemployment rate during that period.

The Sprinters are on the Big Winner political waiting list. They are difficult to control because they have many legislative advocates. Yet they have not developed or sustained a broad enough coalition to garner large, consistent increases in their budget, or to stave off cuts. The significant increases they do receive cluster in years when they receive special attention.

If they experience a highly visible crisis, they sprint ahead budgetarily for a short period. For example, the Rhode Island Department for Children and Their Families has been roundly criticized for its performance ever since its creation more than a decade ago. The deaths of children, allegations of staff misconduct, and other assorted complaints have kept the department in crisis. The political response has been to increase spending when the complaints reach crisis proportion. So over the five years, spending for community services for children has increased by 13 percent, direct services by 9 percent, and the board and care of children in private homes by 8 percent.

At the opposite end of the Sprinter spectrum are those programs which forge ahead precisely because they are not highly visible but have strong legislative advocates. Being a "pet" can help keep growth rates above the median, but that is no insurance against periodic cuts. Programs such as Community Service Grants, Pathways to Independence, and Alternative Care for the Elderly have grown at above median rates in a couple of years, but have experienced no growth in others during the same five-year period. One key, then, to control of spending is to keep Sprinters from acquiring Big Winner status, either by solving their problems or by keeping individual program advocates from developing broader support.

Steady Plodders

The striking characteristic of the Steady Plodders is their low number. Rhode Island's classic incremental growth pool of programs has shrunk, totaling only 10 percent of state spending and about 9 percent of the programs. They grew at a consistent annual 5 percent rate over five years, staying within the budget cap and below the median. These Steady Plodders are institutionalized, mostly labor intensive, rarely in crisis, and low on the political agenda. Only two are formula based.

The Steady Plodders are valued, but not visible, somewhat woven into the political fabric of the state. There is general agreement that they are a product of past political decisions and ought not to be greatly tinkered with. However, those which are labor intensive teeter on the brink of becoming Big Losers. A classic example is the incremental growth of the MHRH-run General Hospital, which is highly labor intensive and whose budget grew at a rate of just under 5 percent.

Big Losers

The Big Losers are controllable. Little apparent political "blame" is assessed as a result of their being cut. Although there is no question that government ought to be involved in these policy areas, the extent of commitment is open to debate. The programs may not be high on the political agenda, are not in sensitive crisis policy areas, and their political advocates may no longer be members of the legislature. There are virtually no pets among them.

Because they are labor intensive and may have the capacity to raise their own revenue, these programs provide the best opportunity for immediate savings. Forty-one percent of the 134 programs are labor intensive. Nearly 70 percent of all labor-intensive programs are Big Losers, but the fifty-five of them account for only 18 percent of state spending.

One major policy area reflecting the Big Loser syndrome is higher education, the most visible and largest of all. A labor-intensive policy area, it has the perceived ability to "raise" its own revenues, a quality of dubious value in times of crisis. Rhode Island support for higher education has dropped from nearly 80 percent of higher education revenues in 1987 to about 50 percent by FY 1992.

Many Big Loser programs typically offer a political advantage as well because they typically have virtually no advocates. Many of them are related to central managerial functions such as auditing, inspecting, and purchasing. These programs have experienced budget decrements in their base.

Eventually, the Big Loser portion of the budget could shrink to relative insignificance. The state will then be forced to determine whether it should continue to finance any of the current programs in that category. In higher education, the three state institutions are better characterized as state assisted rather than state supported. In other areas, government would have to abandon some general operations, a clearly impractical choice unless it wanted to go out of business entirely.

1991–1992 Outcomes

The matrix proved useful in tracking the results for programs during fiscal year 1991 – 1992, which in the five previous years had fallen into each of the four cells. Overall, real cuts did take place. The median "growth" rate for all programs was a negative 9.7 percent — a sign of the truly desperate budget situation. It would be expected that the Big Winners and Steady Plodders would fare best under these draconian conditions. Conversely, Sprinters would not be able to sprint, and Big Losers would teeter on the edge of extinction. For the most part, expectations were borne out.

While all categories of programs suffered cuts, the Big Winners and Steady Plodders of the five previous fiscal years were able to fend off cuts or minimize their losses more effectively than the Sprinters and Big Losers. We defined budget effectiveness as maintaining a positive growth rate in the budget enacted for FY 1991–1992. Programs realized minimized losses when funded at their FY 1991 level or when the cuts they sustained were less than the median reduction of 9.7 percent. Those whose cuts were greater than that took the "big hits."

Big Winners and Steady Plodders enjoyed protection from major budget cuts.Programs in both categories continued to grow and to avoid serious cuts more effectively than Sprinters and Big Losers. Better than half the Big Losers continued to suffer losses greater than the median, and the Sprinters did not sprint that year. The safest programs in difficult budget times are entitlements. Almost 50 percent of them continued to grow and another quarter minimized losses. The pay deferrals and layoffs are reflected in the labor-intensive programs, of which nearly two-thirds had to absorb significant cuts.

Recommendations

As a result of using the matrix and piecing together the history of the Rhode Island budget crisis, we determined that fiscal trouble looms when, in tandem,

- government officials ignore early economic stress indicators;
- small revenue enhancements and cutback management becomes the principal political strategy for coping with declining state tax receipts;
- state government spending programs during good economic times are characterized by new or expanded entitlements and result in a large part of a state's budget becoming uncontrollable;
- entitlement and nonentitlement spending continues to grow even after a fiscal crisis arises.

When cutback management strategies appear as solutions to potentially major fiscal problems, budget staffs must be prepared to argue for a more aggressive approach to avert a likely hemorrhage. Although cutback advocates have recognized the problem, they are only forestalling tough decisions, making the longer-term choices more difficult. Administrative savings will not pay for the above-median growth rate of programs.

The premise supporting the matrix is that the ability to foresee severe budgetary stress comes from watching political behavior and understanding past political decision-sem-bedded in the budget. In Rhode Island, incremental growth continued for some programs and agencies throughout the crisis because they are in the entitlement classification and therefore high on the political agenda. Budget controllability shrinks in proportion to the growth of these Big Winner and Sprinter categories. The Steady Plodders, like the proverbial tortoise, move onward almost unnoticed. Decrements appeared for a few entitlements, but were felt mostly by nonentitlement programs. Decrements, almost inevitably, are felt by relatively low-spending, labor-intensive, less-visible, general operations of government — the Big Losers. Programs with a separate revenue-raising capacity may find their state appropriation cut. Spending as a percentage of the total shifts from nonentitlement to entitlement programs, further increasing the potential uncontrollability of state spending.

Our matrix ought to be viewed as a guide, one that can change just as politics can shift. Budget staffs ought to track regularly which programs are Big Winners, Sprinters, Steady Plodders, and Big Losers. Programs fall in and out of crisis, become more stable or institutionalized, acquire advocates, and lose their visibility. Consequently a program can, over time, shift from one cell to another. The matrix is a useful tool for assessing the overall composition of those changes, namely, to determine the degree to which a budget becomes uncontrollable. Because each state is unique, some time will have to be spent developing those characteristics which address a state's own political environment.

Undoubtedly, budget choices are difficult and complex. There is little incentive for legislators to cut services or raise taxes. Our general conclusion is not revolutionary.

It takes political will to bring spending under control, and that appears only after all cutback strategies have been exhausted. Legislators cannot wave a magic wand, nor can their budget staffs "click" with a computer mouse to make these "revolting developments" disappear. ❧

Notes

1. See Aaron Wildavsky, *The New Politics of the Budgetary Process*, 2d ed. (Chicago: Scott-Foresman, 1992), Chapters 7, 8; Dan Cothran, "Some Sources of Budgetary Uncontrollability," *Public Budgeting and Finance* 6 (Summer 1986): 45–62; Lance LeLoup, "Discretion in National Budgeting: Controlling the Uncontrollables," *Policy Analysis* 4 (Fall 1978): 455–475.

2. For a comprehensive discussion of this issue, see Allen Schick, "Incremental Budgeting in a Decremental Age," in Albert C. Hyde, ed., *Government Budgeting*, 2d ed. (Pacific Grove, Calif.: Brooks-Cole, 1992), 410–425.

3. See Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown, 1964), 15; M. A. H. Dempster and Aaron Wildavsky, "On Change: Or, There Is No Magic Size for an Increment," *Political Studies* 27 (1979): 375; and Irene Rubin, *The Politics of Public Budgeting*, 2d ed. (Chatham, N.J.: Chatham House Publishers, 1993), 114–115.

4. See Andrew Glassberg, "Organizational Responses to Municipal Budget Decreases," *Public Administration Review* (July–August 1978): 325–332, and Robert D. Behn, "Closing a Government Facility," *Public Administration Review* (July–August 1978): 332–338.

5. Any upward adjustment in the federal income tax rate is a mixed blessing. It helps the revenue side of the budget without any state legislative effort. However, an increased burden is placed on the state taxpayer. Indexing eliminates bracket creep at the state level.

6. For more on revenue-estimating conferences, see Tony Hutchinson, "The Good, the Bad and the Uncertain in Revenue Projections," *State Legislatures*, March 1991, 22–24.

7. See Bernard Jump, "Public Employment, Collective Bargaining and Employee Wages and Pensions," in John Peterson and Catherine Lavigne Spain, eds., *Essays in Public Finance and Financial Management* (Chatham, N.J.: Chatham House Publishers, 1980), 74–85.

8. The measures presented here were developed from the following sources: John Kingdon, *Agendas, Alternatives and Public Policies* (Boston: Little Brown, 1984), and Roger W. Cobb and Charles D. Elder, *Participation in American Politics: The Dynamics of Agenda Building* (Baltimore: Johns Hopkins University Press, 1972). A program was considered high on the political agenda if it received sustained broadcast or print media coverage, the latter measured by bulging legislative clipping files in a state budget office; was a program in crisis; was a program subject to judicial mandates; or was a highly visible goal of a governor or legislative leadership as outlined in a gubernatorial budget mes sage, state of the state address, or executive-legislative enactment.

9. Advocacy was considered high if one of three sets of political elites sustained active inter est over five years: prominent elected officials such as a governor or party leaders; politi cally appointed, long-tenured career government bureaucrats; or organized pressure groups such as client advocates and government "watchdogs."

10. Recently, a state superior court ruled that the Rhode Island educational reimbursement formula is in violation of the state constitution. The decision has been appealed to the state supreme court.