



Research paper

Does partisan affiliation impact the distribution of spending? Evidence from state governments' expenditures on education



Andrew J. Hill^a, Daniel B. Jones^{b,*}

^a Montana State University, Department of Agricultural Economics and Economics, P.O. Box 172920, Bozeman, MT 59717, United States

^b University of South Carolina, Darla Moore School of Business, Department of Economics, 1014 Greene St., Columbia, SC 29208, United States

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ABSTRACT

How and why does partisan affiliation impact policy? Using a regression discontinuity strategy and focusing on state education spending, we find that Democratic and Republican governors allocate spending differently. In particular, school districts with higher shares of minority students receive larger state transfers than other districts under Democratic governors. A similar pattern occurs in state transfers to higher education institutions. This is true regardless of whether the governor is eligible for reelection; we find no evidence that Democrat governors are simply sending money to areas with a larger share of Democrats. These results suggest that the observed policy divergence is driven by differences in preferences of elected candidates.

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1. Introduction

Does the partisan affiliation of a governor impact policy outcomes within her state? There are reasons to think that the answer is “No.” Classic models in political economy (Downs, 1957) suggest that electoral pressures ultimately lead opposing political candidates to offer very similar (or identical) policies (“policy convergence”). Alternatively, even if governors *hope* to implement their personally preferred policies, constraints in the governing process (e.g., disagreement with their legislature) may prevent them from doing so. More recent theoretical models (and empirical research, especially in the context of legislators) suggest the opposite: there are considerable differences in policies enacted by opposing parties.

We explore this issue by asking how the partisan affiliation of a state's governor influences education spending within that state. Our aim in doing so is twofold: First, we aim to contribute to the literature on the political determinants of education finance. Second – for reasons we discuss in detail in the next section – state governors' education spending also provides an ideal setting to revisit open questions in the political economy literature. In particular, we contribute to the literature by highlighting that the party of an elected official may change not only the level of spending, but may also change the distribution of spending – even when the level of spending does not change. Research taking only levels of spending

* Corresponding author.

E-mail address: daniel.jones@moore.sc.edu (D.B. Jones).

as an outcome variable may find little or no difference between opposing parties and conclude there is evidence of policy convergence, even when parties (and their policies) differ substantially in *how* that money is spent. State education spending provides an opportunity to directly measure both overall levels of spending and differential transfers to particular types of school districts and/or universities.

Our focus on the distribution of spending is especially salient when comparing Democrats and Republicans in the United States, who often appear to disagree on both the level and distribution of spending. For instance, taking the issue relevant to our empirical analysis, a key point in the education portion of the official platform of the Democratic Party from 2012 is that “we must close the achievement gap in America’s schools”, which of course is a distributional issue. Similarly, the platform highlights efforts to “strengthen Historically Black Colleges [...] and other minority serving institutions.” The phrase “achievement gap” does not appear in the Republican Party’s platform from the same year, nor do any mentions of differential support for particular institutions of higher education over others. There are differences, too, in arguments about the level of spending in the platforms. Republicans argue that the amount being spent on education may be excessive (“[...] enormous amounts of money are being spent for K-12 public education with overall results that do not justify that spending.”); this line has no parallel in the Democratic platform. Obviously, there may be a difference between a party’s stated platforms and resulting policy, so whether there are actual differences in levels or distribution of spending is an empirical question we aim to address.

Within states, governors can impact the level and distribution of education in several ways. Perhaps most importantly, governors propose their states’ budgets and shape the debate in the legislature. Education finance is often a prominent feature of a governor’s budget, and, although faced with constraints from state school finance formulas that aim to equate per-student spending across districts, states do provide additional district and student adjustments based on size, geography, the cost of doing business and special student needs (Verstegen, 2011). Much of the inequality in district revenue stems from stark differences in the local property taxes that finance local schools. As a result, there is considerable within-state variation in both state transfers and total district expenditure per-student.¹

Two recent episodes highlight how governors might attempt to impact education finance, and especially the distribution of spending, through the budget. As part of his 2012 budget proposal, California Governor Jerry Brown (a Democrat) proposed changes to the local school funding formulas that dictate how transfers from the state government to local school districts occur. Under the new formula, districts receive an additional 20% of funding from the state for each high needs student, and schools with high concentrations of such students receive even more. This proposal was ultimately passed.² More recently, Republican governor of New Jersey (Chris Christie) proposed changes to the school funding formula that would have the opposite effect; he proposed equalizing funding across school districts, implicitly reducing funding for “high needs” students.³

To identify the causal impact of a Democratic governor on education spending, we employ a regression discontinuity strategy. Using data which spans from 1990 to 2013, we do find evidence of different spending patterns under Democrat and Republican governors. There is weak evidence that Democrat governors spend more on education overall, especially towards K-12 education, but no evidence of a difference in spending on higher education. At the same time, there is very clear evidence that the presence of a Democrat governor leads to a different distribution of funds. Our main results draw on data from K-12 education; school districts with a high share of minority students receive significantly greater transfers from the state government than other districts when a Democrat is elected. Additional results on higher education also indicate the importance of considering distributional spending. There is no detectable increase in state governments’ overall spending on higher education, but there is evidence of an increase in state appropriations to public colleges and universities with a high share of minority students.

We further assess whether changes in spending at the K-12 level impact actual student outcomes. We investigate relatively short-term effects given governor’s terms are typically four years. We take state-level ethnic group-specific averages of *National Assessment of Educational Progress* (“NAEP”) scores as our outcome variable.⁴ We find no evidence that a Democratic governor leads to higher NAEP scores during her term. Moreover, despite the large shift in funds to school districts with a large share of minority students, we do not observe a shrinkage of the black-white score gap. These results are presented with the caveat that the more gradual impacts of school finance on student outcomes found in other research cannot be fully explored in our study.

Finally, we aim to speak to theoretical models predicting divergence and consider *why* Democratic and Republican policies diverge, especially with regards to distribution of spending. We consider two broad explanations drawn from existing theory: (1) Democrats genuinely have different policy preferences than Republicans and implement their preferred policy once elected (consistent with, for instance, “citizen-candidate models”⁵), or (2) politicians engage in politically opportunistic

¹ The distributions of state transfers and total expenditures across districts are plotted in Appendix A in Figs. A1 and A2.

² See: <http://www.ed-data.k12.ca.us/Pages/LCFE.aspx>.

³ See: <http://www.nj.gov/governor/taxrelief/pages/formula.shtml>

⁴ NAEP is a nationally administered test of (for our purposes) 4th and 8th graders, assessing understanding of math and reading. Often, when a black-white achievement gap is discussed in the United States, it is NAEP scores that commentators point towards.

⁵ For Citizen-candidate models, see: Osborne and Slivinski (1996), Besley and Coate (1997). The idea that politicians simply enact their personally preferred policy is also consistent with Alesina’s (1988) model with limited concerns about future election outcomes.

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