Who Cares About the Budget?
The Effect of National and State Fiscal Policy on State
Electoral Accountability

The Honors Program
Senior Capstone Project
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ABSTRACT

Although state government officials have direct power over certain issues like fiscal policy, legislatures and governors can be held accountable for conditions largely outside their control, such as unemployment at the state and national levels. To compound this effect, national fiscal policy and economic conditions have been volatile and highly publicized in recent years, with little research to discover how much these conditions affect elections at the state level. This study finds that although national fiscal policy and economic conditions are highly visible, voters often only hold state representatives accountable for conditions within their control: state fiscal policy decisions. Furthermore, governors are held more accountable than legislators for fiscal policy decisions, while legislatures avoid direct scrutiny and are only affected by partisan association with presidential and gubernatorial representatives. Interestingly, while governors are punished for increasing the size of government, they are rewarded independently for revenue and expenditure increases as well as budget mismanagement. This implies that while voters allocate accountability for fiscal policy conditions to state representatives, voter desire for government program and benefit sustainment outweighs the conventional desire for prudent budget management. Finally, it is observed that while voters desire lavish spending at the state level, they expect more fiscal prudence from federal budget decisions.

INTRODUCTION

In recent years, fiscal sustainability (or lack thereof) has become a major topic of discussion in the national political sphere. Many believe that fiscal policy has fallen out of the realm of sustainability at the national, state, and local levels of government. The federal debt clock, complete with the share of debt for each American's family, has become a national icon as debt levels surge higher each year. As the public becomes more interested in the astronomical numbers presented in media sources, politicians scramble to craft the debt into a driving force for opposing policy actions. Presidential campaigns in 2008 and 2012 were dominated by discussions of whether increased revenues or decreased expenditures were the cure for federal budget deficits. Landmark political events of varying substance such as the debt ceiling increases, the "fiscal cliff", sequestration measures, and the temporary government shutdown captivated American citizens with the issue of managing national debt that had at last outpaced gross domestic product. This issue persists as a main talking point between politicians, political analysts, and economists and therefore in the mainstream media.

This attention may be dramatized but it is not unwarranted. Over the past three decades, annual national expenditures have more than quintupled, while revenues have failed to keep pace. This has resulted in continuous deficits that have pooled to create a record historic level of national debt in 2013. With large government "entitlement" programs such as Medicare and Social Security acting as the driving force behind spending increases, prospects for resolution are even more dire. As citizens live longer and collect more benefits, additional strain is put on the nation's budget. However, despite voter attention to the debt and economy, the federal government has only recorded one budget surplus in the past forty years. Without policy action, these trends are destined to continue, and the consequences of insolvency may force more drastic debt reduction alternatives over the long term.

This situation may seem surprising given conventional wisdom and research which states that American citizens dislike the presence of "big government" (Lowry et al., 1998). From this, we should expect that voters would punish public officials who preside over large increases in expenditures and revenues. This effect should be compounded, as fiscal policy is within the direct control of elected officials, where matters like unemployment are not. Since officials

are clearly responsible for taxation and spending levels, one would thus expect that accountability would be placed squarely on their shoulders for budget mismanagement. Surprisingly, given the clear control and accountability for fiscal policy decisions, the progression of poor budget management has continued.

Although the unsustainability of national fiscal policy has been discussed at length in recent years, state fiscal policy has followed the same trend that has existed in the national government. Fiscal policy is also dictated in the same manner as the federal budget, the governor (executive) presents a budget proposal to the legislature, who then chooses whether or not to approve it. Therefore, we should assume that if voters decry budget mismanagement and big government at the national level, this notion should also apply to fiscal policy at the state level. However, the incredible amount of media attention allocated to federal government actions in recent years may overshadow the policy decisions of public officials at the state level.

This paper will analyze the electoral accountability of United States governors and state legislatures by investigating the impact of state and national fiscal policy on state election results. The literature that addresses fiscal policy's effect on state electoral accountability is remarkably sparse, and is especially lacking for legislative elections. Additionally, most studies which examine these relationships were performed in the 1990s and primarily draw upon data from before that decade. The research presented in these studies show that although state fiscal policy was found to have an impact on election results, national economic conditions and national government approval were still dominating forces in state elections. Furthermore, previous research on fiscal policy and electoral accountability revolved more around state ideology and partisan affiliation as compared to objective policymaking.

Cummins and Holyoke (2011) performed research to determine the impact of state fiscal policy factors on state electoral accountability. My research seeks to build on their findings by using an extensive historical data range and examining the effect that national fiscal policy and economic conditions have on state elections. In particular, I make contributions to the literature by addressing three core questions. The first involves researching whether national

fiscal conditions have a significant effect on elections for state officials, while simultaneously seeking to replicate and expand Cummins and Holyoke's (2011) model which indicated that state fiscal policy did indeed impact voter decisions on state election day. The second involves observing which branch of government, governor or legislature, is held more accountable for certain fiscal policy conditions, both federal and state. Finally, I seek to observe the role that partisanship and accountability factors play in voter decisions, such as when one party controls both the governor's mansion and the legislature or when an individual incumbent is running for reelection.

To anticipate my results, I find that state fiscal conditions has an effect on state elections while national fiscal conditions were only significant when the president was of the same party as state representatives. Second, governors were held responsible for state fiscal policy while state legislatures avoided all judgment for fiscal conditions. Finally, partisanship is found to play a significant role in constituent judgment of state representatives: Democrats are punished for loose fiscal policy while Republicans are not. Also, unified government at the state and national level is found to allow voters to hold officials more accountable for their actions.

LITERATURE REVIEW

There has been extensive research done on gubernatorial elections, but little done to explain the results of state legislative elections. Many of the studies during the 1980s and 1990s focused on whether national or state economic conditions were more influential on gubernatorial elections. Spanning multiple decades, these studies were in agreement on a few trends, but often had differing opinions on whether state or national economic conditions were more important to constituents in state elections. A predominant theme, however, was that economic conditions were considered very important to voters in state gubernatorial elections.

During the 1980s, national economic conditions and perceived performance of the president were foundto be the prevailing factor over the outcome of gubernatorial elections. Studies showed that national economic action was the dominant force, making the state economy of

little significance in elections for governor (Jewell and Olson, 1988; Lewis-Beck and Rice, 1992). As state economic conditions mattered little to these voters, research claimed that the governors had little chance of making a significant impact on their constituents' voting decisions through policy-making (Kone and Winters, 1993). This is seen as a boon for governors by Peltzman (1992), who claims constituents blame the President, the Federal Reserve and Congress for economic conditions. Peltzman (1992) claims that economists would praise voters for their upward accountability, as these national figures have a much greater impact on the economic conditions than state governors or legislatures.

However, this federal/national focus was largely rebutted in the mid to late 1990s, with researchers claiming that state economic conditions were of resurgent importance to voters. Niemi et al. (1995) find results challenging the previous research, reporting that state economic conditions have a significant effect on gubernatorial voting. Lowry et al. (1998) come to similar conclusions, showing that exit polls from gubernatorial elections highlight dominant voter interest in state over national economic issues. Similarly, Svodoba (1995) states that both gubernatorial and presidential handling of state and national economies are significant in gubernatorial election results. With the renewed focus on state elections came increased scrutiny and accountability for the governors (and their parties) presiding over poor state economies (Lowry et al., 1998; Svodoba, 1995; Niemi et al., 1995; Leydon and Borrelli, 1995).

This enhanced focus on state economic conditions in state elections during more updated and contemporary studies is warranted. Hansen (1999) states that the renewed focus on state economies and state governors is due to the new authority that state governors have recently attained and the visibility that comes with it. Similarly to state government size, the power of the governor has been growing; the governor's presence is now felt in many areas of state matters, including the bureaucracy, legislature and other influential groups (Hansen, 1999). This power enhancement comes at a time of increased visibility, with gubernatorial elections being switched to mid-term elections which reduced coattail effects from presidential elections (Hansen, 1999). This has greatly influenced the importance, recognition, and accountability of the governor.

While gubernatorial elections are becoming more independent from national conditions, the importance of the president and his party affiliation still looms. Atkesin and Perkins (1995) find that governors of the presidential party suffer far worse than governors of the opposing party. Svodoba (1995) find that voters hold the president accountable for economic conditions, but will punish governors of the president's party for poor economic conditions.

This emergence of party affiliation is very important in determining accountability for economic conditions. Aside from governors being affected by presidents from similar parties, the existence of unified or divided government plays a large role in voters' perceptions of accountability. If a government (houses of state legislature and governor) is divided, it is much more difficult to allocate blame for economic or fiscal conditions within the state (Lowry et al., 1998). However, if the government is unified under one party, both governors and legislators are judged much more harshly for economic mismanagement because the blame is now easy to place onto one party (Lowry et al., 1998; Cummins and Holyoke 2011).

There is a lack of literature focused upon legislative accountability. Relatively few studies have been conducted upon this topic, and those that have been done have limited their scope to analyzing the Democratic party seats (Lowry et al., 1998; Chubb, 1988). The research that involves state legislative accountability states that legislators are punished far less harshly than governors, due to their ability to avoid concentrated scrutiny (Chubb 1988). Only in certain cases were legislators punished for economic conditions. For example, in findings by Lowry et al. (1998), only legislators (not governors) are punished for budget mismanagement. However, Cummins and Holyoke (2011) states that legislators escape almost all scrutiny for budget imbalances, and are only accountable for increases in government size under periods of unified government.

It is imperative to note the difference between economic conditions and fiscal management. While economic conditions such as unemployment are largely out of the control of state government, fiscal management is controlled completely by the governor and the state legislature. However, as previously stated, studies have found that the blame for economic conditions outside of the state's control is still placed on state leadership. Fiscal management is also held high in the eyes of the electorate, a trend emblazoned on recent presidential

contender Mitt Romney's campaign trail, as well as the topic of discussion regarding the recent "fiscal cliff" scenario and sequestration in the current national media forefront. To test whether or not the governor and legislature were actually held accountable for things *within* their control, studies were conducted based upon voter responses to fiscal management (Peltzman, 1992; Lowry et al., 1998; Cummins and Holyoke, 2011).

Focus on state fiscal management was a relatively new concept of study prior to the 1990s. Even now, the literature regarding constituent reactions to state budget management is sparse. This attention to state fiscal management was first researched by Peltzman (1992), who stated that voters responded adversely to government spending increases at both the state and federal level. Peltzman (1992) claims voters' opinions on fiscal matters are very different based on partisanship. Peltzman (1992) showed that governors are punished for larger government and more state spending, but that Democrats are judged less harshly than Republicans. In contrast, Lowry et al. (1998) find results that counter this, stating that Democrats are rewarded for more state spending while Republicans are punished. In addition, they found that governors were held accountable only for the size of government while state legislators were blamed for budget mismanagement. This finding is interesting, as the roles of both the governor and the legislature have equal responsibility for government size and budget imbalance.

Recently, Cummins and Holyoke (2011) contributes to the literature on state fiscal management by adding an effective fiscal health measure to proxy for state deficits (which states, contrary to the federal government, are not legally allowed to run). They find that constituents punish governors who increase the size of "big government", but reward governors who increase revenue and expenditures. This paradoxically implies that constituents want to maintain state benefits, but do not want to have to pay for the state benefits that others receive. However, they find that state legislatures avoid punishments and rewards for optimal and poor fiscal conditions, only suffering from bigger government size during periods of unified government. This is interesting, as one is left to wonder whether legislators are being punished for the increased government size on their own account, or simply because the governor is also being punished.

The recent literature regarding fiscal mismanagement and election results, however, does not take into account national budget management conditions.   This is where my research will come into play, analyzing the effect of national and state fiscal policy on gubernatorial and legislative electoral accountability.

HYPOTHESES AND EXPECTATIONS

Given both conventional wisdom and the literature, the following hypotheses are made regarding my core research questions:

1. *Do national fiscal policy and state fiscal policy have an effect on elections for state officials?*

According to recent studies by Cummins and Holyoke (2011), Lowry et al. (1998), and Peltzman (1992), state fiscal policy outcomes are expected to have a significant effect on gubernatorial accountability. Although each study reveals that different conditions affect electoral punishment and reward, all come to consensus that fiscal policy does indeed have some degree of influence on the election results of governors. As far as legislative elections are concerned, state fiscal policy conditions are less certain. However, the few studies that have been done indicate that fiscal policy outcomes should affect legislative elections under certain conditions (Cummins and Holyoke, 2011; Lowry et al., 1998). Thus, I expect fiscal policy to have an effect on gubernatorial electoral accountability, but only under certain political conditions in legislative elections.

When addressing fiscal policy influence on state electoral accountability, the literature suggests that the focus has trended more towards state fiscal and economic conditions. However, in the past decade, national fiscal policy decisions have become far more prevalent in the political sphere, which may influence voter's choices in gubernatorial elections. Additionally, state legislative elections have been observed to fall more in line with national economic conditions. Building on this theory, I expect national fiscal conditions to have a significant effect on state legislative elections, but not on gubernatorial elections.

2. *Which branch of government is held more accountable for certain state and federal fiscal policy conditions?*

Focusing on gubernatorial elections and state conditions, the only fact that the three studies agree on is that voters punish governors for increases in government size (Cummins and Holyoke, 2011; Lowry et al., 1998; Peltzman, 1992). While Peltzman (1992) and Lowry et al. (1998) find that partisanship plays a huge role in how harshly governors are held accountable for their fiscal policy actions, Cummins and Holyoke (2011) discover that governors are rewarded and punished for the same fiscal policy actions regardless of party affiliation. Despite this disparity, I feel that the similarity of my data range to Cummins and Holyoke (2011) will result in similar state findings to their study; I feel that increased vote shares will be granted to governors who increase revenues and expenditures, but decreased vote shares will be given to those who increase the size of government too quickly. For federal fiscal conditions, I expect governors only to be punished for growth in government size and budget mismanagement (fiscal health) when they are from the same party as the reigning president.

Due to the sparse collection of fiscal policy research concerning state legislative elections, the results are more speculative. According to Lowry et al. (1998) and Cummins et al. (2011), legislatures avoid accountability for almost all fiscal conditions, despite their clear responsibility for fiscal policy. Lowry et al. (1998) noted that legislatures are only punished for budget mismanagement, but are not accountable for any other fiscal policy outcomes. Similarly, Cummins and Holyoke (2011) determine that legislative elections are only affected in extreme cases; legislators are punished only for presiding over increases in government size when the same party controls the legislature and the governor's mansion. This is because voters find it easier to punish state elected officials when they have complete control of government.

However, the literature determines that legislative elections can be seen as referendums on the approval of the federal government (Chubb 1988). This implies that fiscal mismanagement and growth in the federal government may lead to punishment of incumbent state legislatures, especially if they are of the same party as the president. Thus, I expect that while state

legislators will likely avoid most of the blame for state fiscal conditions, they will be punished significantly for unsustainable fiscal policy at the national level.

3. *What role does partisanship and unified government play in voter decisions when considering fiscal policy outcomes?*

According to the literature, the incumbent government is held accountable in different ways depending on which party they are affiliated with. For example, researchers found that Republicans were judged more harshly for lavish spending and growth in government size (Lowry et al., 1998; Peltzman, 1992). Additionally, research shows that legislators and governors are punished more severely in cases of unified government, where the governor's mansion and the state legislature is controlled by the same party (Cummins et al., 2011; Lowry et al., 1998).   Finally, in situations when the president's party match the party of governors and legislatures, I anticipate national fiscal policy to have an effect on state electoral accountability. Thus, I expect unified government to allow for more electoral punishment for governors and legislators, and for Republicans to be punished more harshly for growth in government size and revenue growth than Democrats.

DATA AND METHODOLOGY

To test these hypotheses, data for state fiscal and electoral outcomes from 49 U.S. states were gathered from 1980-2009. This data range expands on the 1990-2009 range used by Cummins and Holyoke (2011) by including the 1980s era in which state governments were growing in size and influence. As the 1990s continued the era of state government growth, and the 2000s exhibited a return to more conservative fiscal policy, this time span presents an array of fiscal conditions to examine. At the federal level, fiscal policy was turbulent during these decades. During the 1980s, Ronald Reagan's fiscal policy slowed tax growth, but increased government spending, creating large deficits.   In the 1990s, government growth rates stabilized and tax revenues increased to create budget surpluses before the 2000s brought back tax reductions and expenditure increases to create deficits similar to the 1980s. Thus, the timeline of this data range depicts a variety of fiscal conditions in which to test my research questions.

To determine electoral accountability for governors and legislators, election outcomes from these states are used. Two separate models will be run to examine the relationship between fiscal policy and state electoral accountability: one for gubernatorial elections and one for legislative elections. Due to data constraints, the gubernatorial model uses information from 48 states and the legislative model utilizes data from 44 states. I employ the Ordinary Least Squares method in both models to estimate the effect of the fiscal variables on vote shares for state legislatures and governors. In gubernatorial races, the incumbent *party's* share of the vote is the dependent variable, a measure which is consistent with the literature (Cummins and Holyoke, 2011; Peltzman, 1992). This variable allows for the effects of an incumbent's fiscal policy to affect future elections even if the individual incumbent chooses not to run for reelection. For legislative elections, the presiding majority party's share of the vote in the lower house of the legislature is used. This measure is used in Cummins and Holyoke (2011) to accurately examine legislative electoral accountability under Republican and Democratic control. Focusing on the lower house of legislature, where most representatives serve 2-year terms, allows for the electorate to quickly hold representatives accountable for their fiscal policy decisions. Additionally, because all members of lower houses are up for reelection at one time, as opposed to upper houses which have staggered elections, it permits voters to exercise judgment on the entirety of the legislative body. Thus, only the 44 states with 2-year terms for representatives in the lower house of the state legislature are utilized for this model.

Fiscal policy is measured using four primary independent variables: revenue growth, expenditure growth, government size, and fiscal health. To examine electoral accountability for growth in revenues and expenditures, changes in the real state general fund expenditures and revenues from the previous election are used (Cummins and Holyoke, 2011; Lowry et al., 1998; Peltzman, 1987). This captures the entire duration of a representative's term, often 4 years for governors and 2 years for legislators. To proxy for government size, I used real state general fund expenditures as a percentage of the given state's gross domestic product. Thus, an increase in this variable denotes an increase in state government size.

The final variable is fiscal health, and was constructed initially by Cummins and Holyoke (2011) to gauge state budget management. Since many states are not allowed by law to run fiscal deficits, many will defer expenditures using advanced accounting methods. To subvert these tactics, fiscal health examines the ending balance of the state's general fund (adjusted for inflation) as a percentage of real state general fund expenditures. A dummy variable is then employed, which is coded to record whether or not ending balances for the general fund are above or below 10% of general fund expenditures. If the ending balance is below 10%, the variable is coded 1 for fiscal unhealthiness, and if above 10%, it is coded zero. Many states have different fiscal situations and it is difficult to determine what a "healthy" end balance should be, so a percentage-based method is best in order to compare different states. Therefore, a 10% level is chosen, which allows leeway for various states with different volatility, size and reserve situations.   This threshold is in line with Cummins and Holyoke (2011), as a 5% level would seem too critical and a 15% level too lax.

The fiscal variables for the national level seek to replicate the variable measures at the state level.   Revenue and expenditure growth variables are extracted from The White House Office of Management and Budget datasets, which record the national receipts (revenues) and outlays (expenditures) each year. These are then adjusted for inflation and recorded as percentage changes for the length of each state representative's term limit, mirroring the state fiscal policy variables. The proxy for government size constitutes national outlays as a percentage of national gross domestic product, with higher percentages indicating growth in government size. Finally, fiscal health is also recorded as a dummy variable, but with different thresholds. Due to the tendency for the federal government to run deficits (especially in years within the data range), if the deficit amount is greater than 15% of expenditures, it will be considered fiscally unhealthy.   This indicates that fiscal health in years in which deficits exceed 15% of expenditures will be coded as one, while deficits under this threshold will be coded as zero.

To generate efficient and robust regression estimates, I follow the literature and employ a set of control variables (Cummins et al., 2011; Lowry et al., 1998; Peltzman, 1992). These control variables fall into four main categories: state economic and political conditions,

national economic and political conditions, state statutes and governor powers, and campaign-specific conditions.

The first set of control variables account for state economic and political conditions, which influence the outcomes of state elections. As the primary indicator of economic performance at the state level, the average annualized State Unemployment rate for each election year is utilized. Higher unemployment rates should equate to a lower share of votes for incumbent parties that preside over them. Party Affiliation is utilized to capture the party allegiance of both legislative and gubernatorial representatives, which could have an effect on the way governors or legislators are treated for their fiscal policy decisions. An interaction term to examine this relationship is included as well to determine whether or not politicians of different parties are held to different standards for fiscal policy standards. Party affiliation is used in conjunction with State Citizen Ideology, which is coded on a 0 to100 spectrum, where a ranking of 0 indicates very conservative citizen ideology and 100 indicates very liberal ideology. This variable is coded to boost the share of votes/seats that are given to Republicans or Democrats in office if their party ideology matches citizen ideology and punish them if not.

Other state political conditions to be controlled involve specific election conditions. For instance, in legislative elections, the variable Gubernatorial Election Year is a dummy employed to control for whether or not the election coincides with a gubernatorial election, which is likely to increase voter turnout. Governor Coattail Effect is used to capture a phenomenon which only occurs in gubernatorial election years. The coattails effect variable is used in the legislative model to control for the increased likelihood that the party of the winning incumbent governor will likely attain a higher percentage of the seats in the lower house of the legislature. Finally, Unified Government is a variable used to indicate conditions where the same party controls both branches of government. As indicated in the literature, voters are more likely to punish representatives that serve terms in which the same party holds both the legislature and the governor's mansion. An interaction term is also used to quantitatively test for this theory.

The second set of control variables deals with national political and economic conditions. National economic and political conditions are highly publicized and often have an effect on elections at the state level. Federal Unemployment Rate will serve as the primary indicator of national economic conditions. A higher federal unemployment rate may lead to lower vote shares for incumbent state elected officials that preside over them. Presidential Election Year is a dummy variable designed to account for these election years and is also included for legislative and gubernatorial elections. Presidential election years should improve vote shares for incumbent officials due to the higher voter turnout for presidential elections (Cummins and Holyoke 2011). This high turnout is predicted to increase vote shares for incumbents because voters which only turn out for presidential election years will likely be less aware of challengers and less critical of current government officials (Cummins and Holyoke 2011).

Presidential Approval based on partisanship control of the White House must also be considered within the model. Presidential Approval is included because presidential approval ratings can strongly affect voter mindsets when entering any election. This variable is coded in a way that rewards like-partied incumbent party candidates if approval is high and punishes them otherwise. In contrast, Presidential Approval is coded to reward opposite-partied incumbents if presidential approval is low and hurt them if it is low. Finally, National Unified Government is included to weigh the differences in electoral accountability when the president and the incumbent majority in the legislature or the governor share the same party. National Unified Government is a dummy variable and is coded 1 if the governor or legislature (depending on the model) is controlled by the same party that the president belongs to and 0 otherwise. National Unified Government is expected to affect state electoral accountability depending on national fiscal policy decisions that voters agree with or disagree with. This variable is only included in the models that measure federal fiscal policy for this reason.

The third set of control variables takes into account state-specific statutes and governor powers. The first variable is Governor Veto Powers, which looks at the capacity governors have to control policy, which can range wildly between states. Governors with expansive veto powers, such as line-item veto abilities, will likely be perceived to be more responsible

for fiscal policy decisions than the legislature. Additionally, governors with strong budget powers will also likely be deemed more responsible for fiscal policies than the legislature. Both of these conditions will be addressed by utilizing Beyle's index of gubernatorial budget powers and veto powers, which consist of scales from 1-5, where higher values represent stronger powers. The final variable is Deficity Carry-over in this set concerns states which allow government to carry over deficits into the following year. Since many states don't allow governments to run deficits, voters in states that do may be less critical of government officials when balancing the budget. This is captured in a dummy variable, where states which allow deficit carry-over will be coded as 1 and 0 otherwise.

The fourth set of control variables are campaign-specific conditions. These conditions apply exclusively to gubernatorial elections and are thus only included in gubernatorial models. The first dummy variable, Incumbent Running, addresses the advantages that individual incumbent governors running for reelection have, which is expected to boost vote shares for the incumbent party. This dummy variable is coded 1 if the incumbent party's candidate is the actual incumbent governor and 0 otherwise. Campaign spending by the incumbent governor party is recorded and included in the model, as increases in campaign spending for the incumbent party is expected to correlate with increased vote shares for the incumbent. In contrast, Challenger Spending is included as well, which is expected to diminish vote shares to the incumbent governor's party.

A table summarizing these variables, entitled "Appendices A- Variable List and Descriptions", can be found in the Appendices section.

EMPIRICAL RESULTS

I begin my analysis with the findings from the gubernatorial model. Appendix B reports the regression results for the model using state fiscal independent variables, while Appendix C shows the results of the model using national fiscal policy variables. Appendices D, E, F and G contain the results from the interaction term models that were conducted using state fiscal policy variables. In all interaction term models, the same control variables were utilized (as in Appendices B and C) although they are not listed in the tables.

In gubernatorial races, fiscal policy outcomes are found to be highly significant in determining the share of the vote governors receive. State revenue growth rates and expenditure rates both have a positive effect on incumbent governor party vote shares and are significant at the 5% level. This possibly shows that voters reward governors with more votes when they grow revenues and expenditures at a faster rate, which is consistent with Cummins and Holyoke (2011). This likely implies that voters enjoy the social benefits they receive from increased state expenditures, and possibly perceive revenue growth to come from taxpayers at a higher tax bracket or who are more heavily taxed on different activities than they are (cigarettes, alcohol, gasoline etc.) Paradoxically, however, governors were punished for increasing the size of government. This is evident from the negative effect government size had on incumbent gubernatorial vote shares, significant at the 1% level. This finding is consistent with literature; possibly implying that constituents reward governors for increasing revenues and expenditures because it leads to increased government benefits (Cummins and Holyoke, 2011; Lowry et al., 1998). However, when the *size* of government grows dramatically, voters may draw conclusions that *others* are receiving government benefits from their tax contributions.

Finally, governors not only avoided punishment for budget mismanagement, they were actually found to be *rewarded* for it. This breaks with findings from the literature (Cummins and Holyoke 2011), as fiscal unhealthiness was found to be very significant and increase vote shares for the party of the governor presiding over the mismanagement. This is likely due to the same phenomenon which leads to increased vote shares for revenue and expenditure increases. Constituents typically dislike austerity, and budgets that are stretched thin or overdrawn may indicate that tax revenue is being heavily allocated to programs that benefit voters in that state.

Next, I will discuss my general model for federal fiscal variables (Appendix C), which indicates that all federal fiscal policy conditions were insignificant in determining vote shares for state governors.   Given the amount of influence that state fiscal policy had on voter decisions, and the amount of publicity that national fiscal conditions receive, this was an unexpected result. However, upon further analysis, interaction terms for federal government

size and federal fiscal health in conditions of national unified government are both negative and significant at the 1% level and 5% level respectively (Appendix G). This is consistent with Peltzman (1987), which stated that voters disliked government spending at the state and national levels. This is possibly because when U.S. presidents grow the size of government or run deficits greater than 15% of the annual budgets, governors with the same party affiliation as the president are punished at the polls. This may imply that although governors avoid most of the backlash of federal fiscal policy, they will suffer the wrath of voters who disapprove of fiscal policy decisions made by presidents of the same political party.

To voters' credit, this indicates that they often correctly allocate responsibility to state leadership, and national fiscal policy did not affect their choices in state elections. However, this breaks down when the governor and president are of the same party, in which case it seems that voters will punish governors as a show of discontent and frustration with presidential fiscal policy decisions.

The results of the remaining interaction term regressions yield interesting findings. While Incumbent Running interaction term showed no specific relationship between individual incumbent governors and fiscal policy outcomes (Appendix D), it was found that incumbent Democrats were actually punished for both growths in state revenues and expenditures (Appendix E). The negative and statistically significant interaction term variables of revenue growth and expenditure growth in conjunction with party affiliation exhibit this relationship. This clashes with both conventional wisdom and the literature, as Democrats run on a more liberal spending platform and research has observed Democrats being rewarded for revenue and expenditure growth (or at least punished less harshly than Republicans) (Lowry et al., 1998; Peltzman, 1987). This discrepancy may be due to differences in voter ideology between state revenue and expenditure growth and national revenue and expenditure growth. While Democratic voters may believe the federal government should increase revenue and expenditure growth, they may feel differently about state government tax and spending increases.

The final interaction term model involved the reactions of voters to changes in the four main state fiscal policy conditions in times of unified state government (governor and legislature

controlled by the same party). In conditions of unified government, fiscal health was positive and significant at the 5% level for the incumbent governor's party. This implies that governors are rewarded more for spending large amounts of their budgets when the state legislature is controlled by the same party. This is interpreted in the same fashion as general gubernatorial regressions (in Appendix B); state voters seem to reward governors for spending most or all of a state's annual budget because voters attribute this to increases in benefits and social programs. Elections in which both houses of the state government is unified allows voters to concentrate this approval by voting increasingly for the incumbent governor's party.

Interestingly, state unemployment rates had less of an effect on gubernatorial vote shares than fiscal policy. Although it was significant at the 10% level and had a negative effect in three of the four models in Appendix B, it was only significant at the 5% level in the regression measuring fiscal health. Due to the direct effect that state unemployment has on voter's lives and wellbeing, one would consider these variables to have a greater effect on vote shares for state representatives. This reinforces findings from Peltzman (1987), who stated that governors were beginning to be relinquished from accountability for conditions out of their control, as conditions such as income and inflation are more a product of national policy than state, and unemployment is more of a product of business cycles than of gubernatorial ineptitude.

Another interesting finding was that in most gubernatorial models, federal unemployment was significant at either 5% or 10%, but oddly had a positive effect on the vote shares of incumbent governors. This may be the result of voters juxtaposing their state's economic conditions to the national average. This is to say, voters may be less critical of state unemployment if they perceive the national unemployment situation to be much worse. Therefore, it can be said that conditions of high federal unemployment benefit state governors because state economic conditions seem better by comparison. This further reinforces the trend that voters seem to distinguish between state and federal conditions, and often only punish state representatives for conditions within their control.

Additionally, it appears that the following control variables had a significant effect on vote shares for gubernatorial and legislative elections: presidential election year, national unified government, incumbent party spending and challenger party spending. As expected, additional challenger and incumbent spending, which brought decreases and increases respectively in the percentage of the vote attributed to the incumbent governor party, and were significant at the 1% level. In addition to challenger and gubernatorial spending, presidential election years were found to be a major boon for incumbent party governors, with a positive effect on incumbent party vote shares at the 5% level of significance. This is likely due to the fact that presidential elections bring more low-frequency voters to the polls, and incumbents are rewarded for name recognition and visibility during their terms. Finally, national unified government had a consistently negative effect on vote shares for the incumbent governor, significant at the 1% level. This indicates that in situations where the president is the same party as the governor, governors receive less vote shares at election times. This relationship likely exists because presidents are very highly visible and are critiqued heavily for policy choices; the resulting frustration with presidential actions may push voters to punish their state executives if they are affiliated with the same party.

Moving on to legislative elections, the results of the model utilizing state fiscal conditions are displayed in Appendix H, while the results of the national fiscal variable model are shown in Appendix I. Appendices J, K, and L show the results from the models using various interaction terms. Worthy of note in the legislative model, a lagged dependent variable was included to account for the high correlation between the percentage of seats held by the majority party from each election period to the next. Although this does present a bias in my OLS model, it is acceptable given the high amount of variance explained by the inclusion of the lagged dependent variable. In gubernatorial elections, the lagged dependent variable is unnecessary because gubernatorial elections are both less frequent and more independent of one another.

In legislative elections, legislators seem to have avoided blame for all fiscal policy outcomes at both the national and state level in the general fiscal variable regressions (Appendix H and I). While all fiscal policy variables were insignificant, state and federal unemployment were

insignificant for all regressions as well, indicating that state and national economic conditions did not affect voters' choices for legislators. This finding is consistent with the literature on legislative elections and fiscal policy, which also indicate that legislatures avoid scrutiny for fiscal conditions (Cummins and Holyoke, 2011; Lowry et al., 1998). However, when running models including various interaction terms, state and national fiscal policy were found to have an effect on legislative votes in certain conditions.

Appendix J shows the relation between fiscal policy variables and legislative vote allocations in conditions of unified government. The only variable affecting vote shares in this circumstance was revenue growth, which had a positive and significant effect on vote shares for the majority legislative party at conventional levels. This implies that revenue growth in conditions of unified state government resulted in increased vote shares for the presiding majority part of the legislature. However, this may because of voter's recognition of the legislature's fiscal actions or because they received additional votes simply as a byproduct of increased governor popularity over revenue increases.

Appendix K shows the results for the model including an interaction term between national unified government and federal fiscal policy. The first significant interaction term was federal revenue growth rate contingent on unified national government, which had a negative impact on vote shares for the majority legislative party and was significant at the 10% level. This implies that when the revenue growth rate increases at the national level, legislative majority parties are punished when the presiding U.S. president is of the same party. This is likely due to the fact that Americans do not like tax increases, which are the only way government revenues are achieved. Thus, voters seem to express discontent with federal tax increases by punishing state legislators of the party that controls the White House.

Federal expenditure growth rate contingent on unified national government is the second significant variable in this model. This interaction term had a positive impact on vote share for the majority legislative party and was significant at the 5% level. This implies that when expenditures increase at the national level, legislative parties are rewarded when the president is of the same party. This relationship is expected; while voters dislike tax increases, federal spending is seen as using revenues to give back to taxpayers in the form of social benefits and

programs. Thus, while revenues are disliked by voters, they show appreciation for federal expenditures by allocating increased votes to legislatures that share the party of the president when the rate of federal expenditures increases.

Finally, Appendix L depicts the results of the model including the interaction term showing the relation between the main state fiscal variables and legislative party affiliation. Fiscal health contingent on party affiliation was the only significant variable, which had a negative impact on majority party legislative vote shares and was significant at the 5% level. This implies that Democratic legislative majorities are punished by the electorate when they preside over near-deficit budget scenarios. Although conventional wisdom dictates that Democrats are more lavish spenders than Republicans, this suggests that voters are more critical of Democratic legislatures that spend increasingly without increasing tax rates to compensate. This finding again clashes with the literature, which has found that Democrats are rewarded for government spending (Lowry et al., 1998).

Concerning control variables, legislative elections were affected by unified government, state ideology, presidential approval and deficit carry-over laws. In cases of unified government, incumbent majority parties in the legislature benefited from increased vote shares, likely due to the benefits of association with a governor rewarded for revenue and expenditure growth. Additionally, state ideology was a major boon for legislators, as logically legislators in the majority whose party affiliation matched the prevailing state ideology were rewarded with additional seats. Presidential approval works in contrast to conventional wisdom, as increases in approval ratings negatively impacts vote shares for incumbent majority parties in legislatures. Finally, deficit carry-over allowance, instead of granting reprieves to legislators for fiscal policy, is found to have a negative effect on state legislators.

In summary, I find that legislators are only affected by national fiscal policy conditions when the president is the same party as the majority party. Certain state fiscal conditions are also only significant in circumstances where unified government exists or majority legislative party affiliation comes into play. Governors however, are affected by all state fiscal policy variables and are punished under national unified government for federal fiscal deficits and government size. This is consistent with previous findings, which indicate that governors

bear the brunt of voter sentiment due to increased voter recognition, perceived independence, and visibility, whether it be negative or positive (Lowry et al., 1998; Peltzman, 1992).

CONCLUSIONS

From these results, answers to the initial research questions can be determined. The question concerning the significance of state fiscal policy and national fiscal policy on elections for state officials has a very clear answer; state fiscal policy matters while national fiscal policy does not. More resoundingly, it seems that state fiscal policy decisions are more influential in voter decisions than even state (and certainly federal) unemployment rates. This contrasts with the expectation for legislative elections to be affected heavily by national conditions. It seems that voters have continued the trend of sensible accountability allocation for conditions outside of their control, such as national fiscal policy and unemployment rates. It also seems that the governor is accountable for state fiscal conditions far more severely than legislators, who seem to shirk responsibility for state and national economic and fiscal conditions.

Lastly, it seems that party ideology and unified government play a role in voter perception of electoral accountability, while individual incumbent status does not. Contrary to conventional wisdom (and expected results), Democratic governors were actually found to be punished for large increases in revenues and expenditures. Unified government, rather than helping voters concentrate punishment, assisted them in rewarding legislators, proving to increase vote shares in all eight legislative models. Additionally, in conditions of unified government, legislators were rewarded for fiscal policy when presiding over revenue increases. However, it appears that individual incumbents running for reelection were judged the same as upstart governors at the ballot box, with incumbents receiving no enhanced scrutiny or praise. This points towards more governor definition by party ideology rather than a concentration on the individual, a trend that is running counter to presidential elections at the national level. While a focus on ideology rather than character may be beneficial for incumbent governors, it certainly doesn't help responsible fiscal management for state constituents, who should punish experienced incumbents for budget mismanagement and rapid government growth.

Where my study diverges from literature is when examining federal fiscal outcomes conditional on national unified government. In situations of nationally unified government, it is found that many fiscal policy decisions at the state level *are* significant in state elections. It seems that voters will exhibit their frustrations or contentedness with the president's national fiscal policy by rewarding or punishing incumbent governors and legislators of the same party. This is very interesting, as national unified government has a greater effect on federal fiscal policy significance than unified government had on state fiscal policy significance. Therefore, although typically federal fiscal policy does not matter to voters when choosing state representatives, when national unified government exists, federal fiscal policy has a greater effect in gubernatorial elections.

To enhance this research further, additional variables and research methods could be utilized. An influential factor in state elections is state interest group activity. As lobbying increases at the federal and state level, a variable controlling for this phenomenon would help explain further variance in gubernatorial and legislative elections. Additionally, analysis of national unified government in terms of United States Congressional control could yield further findings about how state voters view federal fiscal policy in state elections. Finally, research analyzing the time range of this data in separate decade-long segments would prove beneficial. This would allow for trend analysis over time, which in turn would capture changes in voter perceptions of state electoral accountability. This type of trend analysis would be especially fruitful when assessing state elections, as state government power and size have grown considerably over the past three decades.

There are three large and important implications derived from this research. First, in times without national unified government, national fiscal and economic conditions seem to be completely uninfluential in the realm of state elections. This is a strong benefit for both constituents and public officials. It allows governors and legislators to govern without fear of blame from fiscal and economic scenarios outside of their command and also indicates that citizens recognize state officials' sphere of control. This shows that voters are understand how to discern between conditions that state representatives have control over, and those that they do not. Building upon this, these informed voters then only punish governors and

legislatures who perform poorly in areas that they do indeed have control over. This bodes well for gubernatorial and legislative elections at the state level, as an informed populace will likely make better electoral choices. Apparently, the largely publicized national fiscal and economic variables do not have a substantial impact on voters' views of state officials.

Second, citizens reward state fiscal policy choices in a way that defies conventional wisdom and sometimes, itself. This is evident in the rewarding of governors who mismanage budgets while raising revenues and expenditures, while punishing those who increase government size. This shows that while Americans dislike fiscal irresponsibility, they dislike the loss of government benefits and programs more. Additionally, it shows that citizens want the government to grow, but not too fast. Too much of an increase in government size incites voter scorn about waste (a combination of inefficiency and benefits that they don't receive). This is a dangerous prospect for fiscal sustainability in the United States. If governors are consistently rewarded for revenue and expenditure increases as well as for deficit-running budget habits, they are more likely to engage in those activities. These policies are unsustainable, as states without surpluses will never have necessary savings for long-term programs and will eventually run into solvency issues.

Finally, I provide clear evidence that voters have a different opinion about federal fiscal policy than they do about state fiscal policy. For instance, governors are rewarded on average for increasing revenues, expenditures and running deficits at the state level. However, under conditions of unified national government, state legislatures are punished for federal revenue growth rate increases and governors are punished for excessive federal deficits. Therefore, while it seems that state voters promote revenue growth and near-deficit spending at the state level, they don't approve of the same fiscal policy choices in the national sphere. This is likely due to the notion that constituents want the government to keep and expand *their* benefits, but don't like the idea of a government that expands benefits for anyone else. Thus, it is likely that voters believe irresponsible state fiscal policy will lead to more direct benefits than irresponsible national fiscal policy.

If this is true, it would seem that voters have not been punishing presidents as much as they are state representatives that share his party. An interesting area of further research would be

to examine whether presidents were punished alongside their state representative party-mates in conditions of national unified government, or if voters took out their entire electoral wrath on state representatives. The latter seems to be the case and, at least for most voters, love of programs and benefits trump desire for prudence, which has led to perpetual budget deficits and skyrocketing national debt. As a nation who rewards irresponsible fiscal governance, national officials will be unlikely to campaign on turning off the spending faucet. Those who do seek to reverse the trend will face serious electoral headwinds. If the state fiscal policy mentality stretches to the national stage, it would predicate strong solvency concerns for the future of the United States.

APPENDICES

Appendix A – Variable List and Descriptions

Variable	Description
Incumbent Majority Party Seats Won[b]	Percentage of vote won by incumbent governor party.
Incumbent Party's Share of the Vote[c]	Percentage of seats won by incumbent majority party in lower house.
Revenue Growth Rate[a]	Change in real general fund revenues from previous election for governor or legislature.
Expenditure Growth Rate[a]	Change in real general fund expenditures from previous election for governor or legislature.
Government Size[a]	State general fund expenditures divided by state gross domestic product.
Fiscal Health[a]	Dummy variable: Coded 1 if total year-end general fund balance is less than 10%, 0 otherwise.
Federal Revenue Growth Rate[g]	Change in federal government total receipts (revenues) from previous election for governor or legislature.
Federal Expenditure Growth Rate[g]	Change in federal government total outlays (expenditures) from previous election for governor or legislature.
Federal Government Size[g]	Federal total outlays divided by U.S. gross domestic product.
Federal Fiscal Health[g]	Dummy variable: Coded 1 if total U.S. annual deficit is greater than 15% of federal total outlays, 0 otherwise.
Unified Government[bc]	Dummy variable: Coded 1 if the governor and state legislature are of the same party.
State Unemployment Rate[f]	State unemployment rate during current election year for governor or legislature.
National Unified Government[bci]	Dummy variable: Coded 1 ifu the president and either the state legislature or governor are of the same party.
State Ideology[d]	Spectrum measure of state citizen ideology: 0 indicates conservative views and 100 indicates liberal views.
Incumbent Gubernatorial Party[c]	Dummy variable: 1 if incumbent governor is Democrat, 0 if Republican
Incumbent Majority Party[c]	Dummy variable: 1 if incumbent majority party in the legislature is Democrat, 0 if Republican.
Federal Unemployment Rate[h]	Federal unemployment rate during current election year for governor or legislature.
Presidential Election Year[i]	Dummy variable: Coded 1 during presidential election years, 0 otherwise.

Gubernatorial Election Year[c]	Dummy variable: Coded 1 during gubernatorial election years, 0 otherwise.
Presidential Approval[i]	Presidential approval rating in October or November before presidential election.
Governor Veto Power[j]	Spectrum measure of governor veto powers: 1 indicates weak governor veto powers and 5 indicates strong governor veto powers.
Governor Budget Power[k]	Spectrum measure of governor budget powers: 1 indicates weak governor budget powers and 5 indicates strong governor veto powers.
Deficit Carryover Allowed[e]	Dummy variable: Coded 1 if state deficit can be carried over into the next fiscal year.
Incumbent Campaign Spending[c]	Logged dollar amount spent by incumbent gubernatorial party candidate in primary and general election (in 2005 dollars and thousands).
Challenger Campaign Spending[c]	Logged dollar amount spent by challenging gubernatorial party candidate in primary and general election (in 2005 dollars and thousands).
Incumbent Running[c]	Dummy variable: Coded 1 if incumbent governor is running for reelection.
Gov. Coattails Effect[bc]	Dummy variable: Coded 1 if winning gubernatorial party is same as majority party in lower chamber going into election.
Lagged Dependent Variable[c]	Percentage of seats won by incumbent majority party in lower house lagged by one election period.

[a] Acquired from National Association of State Budget Officers, (Various Years). *Fiscal survey of the states* National Association of State Budget Officers.

[b] Acquired from Klarner, C. (2003). State legislative election returns data. In C. Klarner (Ed.), *Klarner Politics*. Indiana State University.

[c] Acquired from Jensen, Jennifer M. and Thad Beyle. 2003. "Of Footnotes, Missing Data, and Lessons for 50-State Data Collection: The Gubernatorial Campaign Finance Project, 1977-2001." *State Politics and Policy Quarterly* 3:203-214.

[d] Acquired from Berry, William D., Evan J. Ringquist, Richard C. Fording and Russell L. Hanson. 1998. "Measuring Citizen and Government Ideology in the American States, 1960-93." American Journal of Political Science 42:327-48.

[e] Acquired from National Conference of State Legislatures, (2010). *Ncsl fiscal brief: state balanced budget provisions*. National Conference of State Legislatures.

[f] Acquired from Bureau of Economic Analysis, (2014). *GDP and Personal Income*. U.S. Commerce Department.

[g] Acquired from The White House Office of Management and Budget, (2014). Historical Tables. *Summary of Receipts, Outlays, and Surpluses or Deficits.* The White House Office of Management and Budget.

[h] Acquired from The Bureau of Labor Statistics, (2014). *Labor force statistics from the current population survey.* The Bureau of Labor Statistics.

[i] Acquired from Wooley, John and Peters, Gerhard (2014). *Presidential Job Approval.* The American Presidency Project.

[j] Acquired from Beyle, (2001). *Veto Power.* Gubernatorial Power.

[k] Acquired from Beyle, (2001). *Budget Power.* Gubernatorial Power.

Appendix B- OLS Regression Estimates: Gubernatorial Elections - State Fiscal Conditions

	(1)	(2)	(3)	(4)
Revenue Growth Rate	.052** (2.1)	-	-	
Expenditure Growth Rate	-	.049** (1.95)	-	
Government Size	-	-	-.735*** (-2.83)	
Fiscal Health	-	-	-	.029*** (2.55)
Unified Government	-.012 (-1.23)	-.013 (-1.34)	-.0002 (-.03)	-.00211 (-.23)
State Unemployment	-.65* (-1.88)	-.645* (-1.85)	-.398 (-1.38)	-.616** (-2.13)
State Ideology	.00001 (.37)	.0001 (.41)	-.00008 (-.30)	-.0001 (-.39)
Incumbent Party	.0085 (.91)	.007 (.84)	.0081 (.94)	.0097 (1.12)
Federal Unemployment	.884 (1.44	.773 (1.25)	.7422* (1.75)	.936** (2.20)
Presidential Election Year	.029*** (2.59)	.0286** (2.48)	.0237** (2.19)	.027** (2.52)
Presidential Approval	.033 (.85)	.0281 (.71)	.0688* (1.92)	.061774* (1.71)
Governor Veto Power	.0059 (1.53)	.0058 (1.49)	.005 (1.42)	.005 (1.44)
Governor Budget Power	-.00377 (-.73)	-.0036 (-.71)	-.0032 (-.72)	-.0045 (-1.01)
Deficit Carryover Allowed	-.003 (-.28)	-.0036 (-.34)	-.003 (-.31)	-.008 (-.81)
Incumbent Campaign Spending	.034*** (6.21)	.035*** (6.31)	.0352*** (6.86)	.0355*** (6.90)
Challenger Campaign Spending	-.042*** (-9.49)	-.0433*** (-9.73)	-.0465*** (-11.07)	-.0463*** (-11.0)
Incumbent Running	.073*** (7.23)	.0737*** (7.22)	.0652*** (6.94)	.0687*** (7.32)
Constant	.5263*** (6.56)	.5396*** (6.71)	.60544*** (8.30)	.5465*** (7.55)
Adjusted R^2	.4592	.4581	.4509	.4486
Observations	321	321	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix B- OLS Regression Estimates: Gubernatorial Elections – Federal Fiscal Conditions

	(1)	**(2)**	**(3)**	**(4)**
Federal Revenue Growth Rate	.03 (.83)	-	-	-
Federal Expenditure Growth Rate	-	.02 (.29)	-	-
Federal Government Size	-	-	.74 (1.60)	-
Federal Fiscal Health	-	-	-	.0025 (.19)
Unified Government	-.001 (-.12)	-.001 (-.12)	-.0014 (-.16)	-.0011 (-.12)
National Unified Government	-.027*** (-2.83)	-.027*** (-2.82)	-.27*** (-2.90)	-.027*** (-2.81)
State Unemployment	-.563* (-1.96)	-.533* (-1.86)	-.611** (-2.11)	-.538* (-1.88)
State Ideology	-.00019 (-.71)	-.0002 (-.73)	-.00019 (-.70)	-.0002 (-.75)
Incumbent Party	-.00089 (-.10)	-.0010 (-.11)	.0037 (-.39)	.0012 (-.13)
Federal Unemployment	1.0278** (2.18)	.8293* (1.91)	.301 (.55)	.8373* (1.91)
Presidential Election Year	.0314*** (2.85)	.0305*** (2.29)	.031*** (2.90)	.0306*** (2.79)
Presidential Approval	.096*** (2.61)	.092** (2.53)	.098*** (2.68)	.0922** (2.52)
Governor Veto Power	.00315 (.89)	.0031 (.89)	.0035 (.99)	.00312 (.88)
Governor Budget Power	-.0046 (-1.00)	-.004 (-.87)	-.008 (-1.58)	-.0039 (-.85)
Deficit Carryover Allowed	-.0061 (-.63)	-.0062 (-.63)	-.0058 (-.59)	-.0062 (-.64)
Incumbent Campaign Spending	.0348*** (6.78)	.0347*** (6.74)	.034*** (6.77)	.034*** (6.76)
Challenger Campaign Spending	-.044*** (-10.42)	-.044*** (-10.53)	-.0442*** (-10.47)	-.044*** (-10.52)
Incumbent Running	.06603*** (7.00)	.0669*** (7.14)	.0671*** (7.19)	.067*** (7.15)
Constant	.5515*** (7.36)	.5703*** (7.94)	.4640*** (7.15)	.5699*** (7.93)
Adjusted R^2	.4503	.4494	.4533	.4493
Observations	369	369	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix D: OLS Regression Estimates: Gubernatorial Elections – Incumbent Interaction Term

	(1)	(2)	(3)	(4)
Revenue Growth Rate X Incumbent Running	-.0123 (-.24)	-	-	-
Expenditure Growth Rate X Incumbent Running	-	-.019 (-.36)	-	-
Government Size X Incumbent Running	-	-	-.0524 (-.10)	-
Fiscal Health X Incumbent Running	-	-	-	.0275 (1.18)
Adjusted R^2	.4575	.4566	.4494	.4492
Observations	321	321	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix E: OLS Regression Estimates: Gubernatorial Elections – Party Interaction Term

	(1)	(2)	(3)	(4)
Revenue Growth Rate X Party Ideology	-.0854* (-1.67)	-	-	-
Expenditure Growth Rate X Party Ideology	-	-.1001* (-1.86)	-	-
Government Size X Party Ideology	-	-	-.1329 (-.24)	-
Fiscal Health X Party Ideology	-	-	-	.0202 (.89)
Adjusted R^2	.4623	.4625	.4495	.4483
Observations	321	321	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

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Appendix F: OLS Regression Estimates: Gubernatorial Elections – Unified Government
Interaction Term

	(1)	**(2)**	**(3)**	**(4)**
Revenue Growth Rate X Unified Government	.0058 (.11)	-	-	-
Expenditure Growth Rate X Unified Government	-	-.009 (-.18)	-	-
Government Size X Unified Government	-	-	.0567 (.11)	-
Fiscal Health X Unified Government	-	-	-	.044** (1.98)
Adjusted R^2	.4574	.4564	.4494	.4483
Observations	321	321	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix G: OLS Regression Estimates: Gubernatorial Elections – National Unified
Government

	(1)	**(2)**	**(3)**	**(4)**
Federal Rev. Growth Rate X National Unified Government	.0921 (1.00)	-	-	-
Federal Exp. Growth Rate X National Unified Government	-	.1735 (.49)	-	-
Federal Government Size X National Unified Government	-	-	-1.267*** (-2.61)	-
Federal Fiscal Health X National Unified Government	-	-	-	-.0389** (-2.07)
Adjusted R^2	.4503	.4482	.4495	.4545
Observations	321	321	369	369

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

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Appendix H: OLS Regression Estimates: Legislative Elections - State Fiscal Conditions

	(1)	(2)	(3)	(4)
Revenue Growth Rate	.022 (1.34)	-	-	
Expenditure Growth Rate	-	.0032 (.22)	-	
Government Size	-	-	.0538 (.31)	
Fiscal Health	-	-	-	-.0023 (-.31)
Unified Government	.0108* (1.93)	.011** (1.97)	.0111** (1.98)	.0111** (1.98)
State Unemployment	.1388 (.70)	.1090 (.55)	.0965 (.49)	.1093 (.56)
State Ideology	.00114*** (5.67)	.0011*** (5.58)	.0011*** (5.43)	.0011*** (5.59)
Incumbent Majority Party	.009 (1.52)	.0091 (1.53)	.0087 (1.43)	.0092 (1.55)
Federal Unemployment	.0863 (.30)	.0894 (.31)	.1028 (.36)	.096 (.34)
Presidential Election Year	.0091 (-1.42)	-.0087 (-1.35)	-.0087 (-.45)	-.008 (-1.36)
Presidential Approval	-.055** (-2.09)	-.0565** (-2.15)	-.0569** (-2.16)	-.0564** (-2.14)
Governor Veto Power	.00152 (.68)	.00143 (.64)	.0013 (.58)	.0013 (.62)
Governor Budget Power	-.00217 (-.69)	-.00219 (-.70)	-.0021 (.58)	-.0022 (-.71)
Deficit Carryover Allowed	-.0138** (-2.16)	-.0135** (-2.12)	-.013 (-2.12)	-.0132** (-2.05)
Gov. Coattails Effect	-.0033 (-.44)	-.0035 (-.47)	-.00359 (-.48)	-.003 (.64)
Gubernatorial Election Year	-.0038 (-.51)	-.00344 (-.46)	-.0033 (-.45)	-.0033 (-.45)
Lagged Dependent Variable	.7577*** (29.82)	.7603*** (29.94)	.7604*** (29.98)	.7609*** (29.98)
Constant	.1005*** (3.91)	.5396*** (6.71)	.1019*** (3.93)	.1045*** (4.00)
Adjusted R^2	.6838	.6827	.6828	.6828
Observations	559	559	559	559

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix I: OLS Regression Estimates: Legislative Elections - Federal Fiscal Conditions

	(1)	(2)	(3)	(4)
Revenue Growth Rate	-.005 (-.16)	-	-	
Expenditure Growth Rate	-	.1019 (1.10)	-	
Government Size	-	-	.126 (.36)	
Fiscal Health	-	-	-	.0051 (.65)
Unified Government	.0114** (2.06)	.011** (2.11)	.011** (2.08)	.0113** (2.05)
National Unified Government	.0062 (1.02)	.0063 (1.05)	.0063 (1.04)	.0059 (.98)
State Unemployment	.1167 (.68)	.1232 (.64)	.1309 (.68)	.1353 (.70)
State Ideology	.0011*** (5.69)	.0011*** (5.70)	.0011*** (5.71)	.0011*** (5.74)
Incumbent Majority Party	.0115* (1.85)	.012* (1.93)	.011* (1.84)	.011* (1.76)
Federal Unemployment	.0539 (.17)	.102 (.37)	-.029 (-.07)	-.004 (-.02)
Presidential Election Year	-.0088 (-1.37)	-.0055 (-.79)	-.0081 (-1.26)	-.0092 (-1.44)
Presidential Approval	-.0622** (-2.34)	-.0602** (-2.27)	-.0608** (-2.27)	-.06** (-2.24)
Governor Veto Power	.0013 (.61)	.0014 (.65)	.0014 (.65)	.0013 (.62)
Governor Budget Power	-.0017 (-.55)	-.0023 (-.74)	-.0027 (-.69)	-.0026 (-.79)
Deficit Carryover Allowed	-.0139** (-2.20)	-.0139** (-2.21)	-.014** (-2.22)	-.0139** (-2.21)
Gov. Coattails Effect	-.0025 (-.34)	-.0028 (-.38)	-.0026 (-.35)	-.0022 (-.31)
Gubernatorial Election Year	-.004 (-.55)	-.004 (-.55)	-.004 (-.55)	-.0041 (-.56)
Lagged Dependent Variable	.7589*** (30.21)	.7582*** (30.27)	.7576*** (30.01)	.7583*** (30.25)
Constant	.1026*** (3.77)	.0924*** (3.63)	.084 (1.59)	.105*** (4.05)
Adjusted R^2	.6836	.6842	.6836	.6838
Observations	572	572	572	572

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix J: OLS Regression Estimates: Legislative Elections – Unified Government Interaction Term

	(1)	(2)	(3)	(4)
Revenue Growth Rate X Unified Government	.0549* (1.67)	-	-	-
Expenditure Growth Rate X Unified Government	-	.0460 (1.53)	-	-
Government Size X Unified Government	-	-	-.0989 (-.29)	-
Fiscal Health X Unified Government	-	-	-	-.0070 (-.48)
Adjusted R^2	.6848	.6835	.6822	.6823
Observations	559	559	559	559

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix K: OLS Regression Estimates: Legislative Elections – National Unified Government Interaction Term

	(1)	(2)	(3)	(4)
Federal Rev. Growth Rate X National Unified Government	-.1252* (-1.77)	-	-	-
Federal Exp. Growth Rate X National Unified Government	-	.433** (2.06)	-	-
Federal Government Size X National Unified Government	-	-	-.0472 (-.15)	-
Federal Fiscal Health X National Unified Government	-	-	-	.0022 (.18)
Adjusted R^2	.6848	.6861	.6831	.6832
Observations	572	572	572	572

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

Appendix L: OLS Regression Estimates: Legislative Elections – Party Affiliation Interaction Term

	(1)	**(2)**	**(3)**	**(4)**
Revenue Growth Rate X Party Affiliation	.001 (.03)	-	-	-
Expenditure Growth Rate X Unified Government	-	-.033 (-1.01)	-	-
Government Size X Unified Government	-	-	.167 (.46)	-
Fiscal Health X Unified Government	-	-	-	-.034** (-2.27)
Adjusted R^2	.6832	.6827	.6823	.6852
Observations	559	559	559	559

Notes: T statistics are in parentheses, *,**,*** represent statistical significance at 10%, 5%, and 1% respectively.

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