

# Veto Politics

## Can a line-item veto reduce spending?

BY DAVID VAN DEN BERG

State legislative sessions often feature intense debates over appropriations bills. Both legislatures and governors have their own weapons in these battles. One of the most well known is the ability many governors have to veto specific line items in a bill. The line-item veto is often assumed to be an effective way of keeping spending under control. But whether the conventional wisdom is correct on this is still an open question. In fact, the line-item veto is a tool that isn't always used in the context we might expect — and the results can be surprising.

Forty-four of America's 50 governors have some form of the line-item veto, according to the National Conference of State Legislatures. Six states do not have any form of the line-item veto, including North Carolina. Governors in those states can only veto entire legislation, not portions of it.

In the states where it exists, the line-item veto functions differently and can shift the balance of power in budget debates. Governors who have the line-item veto can eliminate portions of bills. In some cases, they can adjust spending amounts, and in others, governors can amend legislative language. Governors can use the line-item veto to preserve their budget preferences sometimes, but legislators can combat the use of the line-item veto by bundling expenses the governor doesn't want with those the governor does want. Yet line-item vetoes, if comprehensive enough, can provide a way for governors to possibly thwart those efforts.

To determine whether this sort of veto can be an effective way of imposing spending discipline requires making a few assumptions. The first is that politicians, like anyone in any profession, face incentives. Governors aren't necessarily less prone to them than are legislators. The line-item veto may not be anything more than an additional bargaining chip that a governor can use to go after additional spending he might want, says Samuel Baker, a former economist at the College of William & Mary.

The second assumption is that the political climate affects how the veto power is used. The line-item veto, to some extent, shifts power to the executive branch. But, as we'll see, that may not matter much. If it does, there are some important contexts in which we can expect the veto to be exercised more frequently.

### Line-Item Veto and Divided Government

Political contexts usually influence usage of line-item vetoes. They are used more often when opposing parties control the executive and legislative branches and the legislature cannot override the veto, argues Douglas Holtz-Eakin, an

economist who formerly taught at Syracuse University before working at the Council of Economic Advisers during the George W. Bush administration and then heading up the Congressional Budget Office. Holtz-Eakin is now president of a consulting firm in Washington, D.C.

Highly partisan environments are most conducive to use of the line-item veto, says Glenn Abney, a former Georgia State University political scientist. "The governors will often use the veto because they disagree over policy," he notes. Conversely, when one party controls both the executive and legislative branches, the partisan temperature is lower. In those situations, the item veto is less likely to be used, Abney and University of Georgia political scientist Thomas Lauth argue in a 1985 paper.

While the line-item veto shifts some power to the executive branch, governors may have good reasons not to exercise this power. For example, a governor may decline to use the veto to avoid further antagonizing lawmakers, especially if relationships with the legislature have soured, in order to preserve remaining political capital. Those relationships can be crucial. Stable political relationships between elected officials and the state bureaucracy can be crucial and can determine state expenditure levels, economists James Dearden of Lehigh University and Thomas Husted of American University write in a 1993 paper.

The scope of line-item veto powers may determine how useful they are to governors. Only 15 of the 44 governors with line-item vetoes can adjust both dollar amounts and statutory language in legislation. When they can amend dollar amounts and language, governors are most likely to use the veto. In their paper, Dearden and Husted argue that a governor's ability to obtain a desired budget outcome increases with the comprehensiveness of the line-item veto authority.

Line-item vetoes don't render legislators powerless, however: They can write bills in ways that make it difficult for a governor to veto them. Lawmakers also have a bargaining chip of their own: the override. But research shows that line-item vetoes are rarely overridden. Several explanations for the upholding of vetoes are possible, argue Abney and Lauth. For one, super-majorities are often required for an override, which can be hard to achieve. When overrides are difficult, the veto power is more meaningful.

### Fiscal Effects of the Line-Item Veto

The veto is not always used to strike dollar amounts. In a nationwide study published in 2002, Abney and Lauth review appropriations bills from line-item veto states from

the years 1993 and 1995. Governors in only 18 states used the veto in 1993, while 22 used it in 1995. In both years, the researchers show more than 60 percent of vetoes cut language about appropriations that did not contain dollar amounts. More than 20 percent of vetoes were of language totally unrelated to appropriations.

Vetoes of legislative language can still have fiscal effects, although it is difficult to assign them a dollar value. Language and appropriations in bills are not always related. Eliminating language requiring certain state agencies to maintain specific staffing levels could lead to job cuts and resulting cost savings, for example.

Yet leaving the agency free to eliminate jobs may not necessarily lead to job cuts if they find savings elsewhere in their budget, so it's hard to prove that the line-item veto would have a direct fiscal effect in such a case. In a research project about the line-item veto in Georgia, Lauth and Catherine Reese of Arkansas State University-Jonesboro find that 79 percent of the 209 line-item vetoes used between 1975 and 2002 eliminated language that had a fiscal impact that was hard to measure in dollars.

The threat of the veto can play an important role in legislative debates. Reese and Lauth's Georgia study covers several decades. They conducted interviews of the state's seven governors prior to Sonny Perdue, its current executive. The governors told Reese and Lauth the threat of the line-item veto was an important element of their power.

### Executive Privilege

Not all governors can use the line-item veto the same way. Whether the veto can be used to eliminate budget items or legislative language depends on where you are in the Fifth District.

	Appropriations	Legislative Language
MD	✓	✗
DC	✓	✓
VA	✓	✓
WV	✓	✓
NC	✗	✗
SC	✓	✓

SOURCES: National Conference of State Legislatures, League of Women Voters of Maryland, District of Columbia Mayor's Office, Virginia Department of Planning and Budget, South Carolina Office of State Budget

Indeed, infrequent use of the veto may mean that its mere threat has made actual usage unnecessary, although it's hard to be certain, Reese and Lauth say.

Such evidence should be qualified. Budget officers overwhelmingly say that a constitutional balanced budget requirement is the most important factor in promoting fiscal responsibility, Lauth claims in a 1996 paper. Both executive and legislative budget officials were surveyed, and at least 90 percent of each group cited the balanced budget requirement's importance.

To resolve this dispute, then, requires turning to the empirical evidence. The most comprehensive analysis to date is still the Holtz-Eakin study. Looking there, you discover that evidence of whether the overall level of spending actually

goes down because of the line-item veto is hard to find. In his paper, Holtz-Eakin concludes that the line-item veto may influence the spending level only over the short run — particularly in regard to reducing a current budget deficit — in cases where a governor's political party does not hold a majority in the legislature. Over time, however, there is no statistically significant effect on the size of the budget in the long run. Instead, it seems that the line-item veto simply alters the composition of spending.

So as voters watch their legislature haggle over the budget each year, they should keep in mind the admonition Holtz-Eakin includes in his study: "There are no simple truths concerning the impact of the line-item veto." **RF**

### READINGS

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