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Leaving Money on the Table: Learning from Recent Refusals of Federal Grants in the American States

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Recent years have been marked by high-profile refusals of federal grant aid by state governments. These refusals raise several questions. First, is there anything new here? Second, does partisanship alone explain these decisions? And finally, do the explanations for recent decisions provide insights into state behavior over the longer term? This article reviews state refusals of federal money over the past fifty years, explores the degree to which partisanship can explain recent grant refusals, and uses those insights to predict state-level applications to three very different grant programs. The results suggest that there is little novelty in recent events and that the interaction of partisan and electoral pressures has been influencing state-level applications for grants-in-aid for decades.

A cursory glance at 2010 and 2011 might lead to the impression that they were marked by a rebellion of sorts against the power exercised by the federal government through the grant-in-aid system. At several points in recent years, governors refused to accept large federal grants or returned grants that had already been awarded to their states. The first "thanks, but no thanks" moment came in early 2010 when Governors Bob Riley (R-AL), Bobby Jindal (R-LA), Tim Pawlenty (R-MN), Haley Barbour (R-MS), Mark Sanford (R-SC), Rick Perry (R-TX), and Sarah Palin (R-AK) rejected their states' portion of ~\$7 billion in stimulus money designed to extend unemployment benefits for full-time workers, and to provide them for the first time in many states, to part-time workers. The next high-profile incident came when newly elected Governor Rick Scott (R-FL) rejected plans for a high-speed rail line between Orlando and Tampa, and turned down ~\$2 billion in federal grants in the process. Scott was actually the third governor to turn down already awarded rail money, the others being John Kasich of Ohio (R) and Scott Walker of Wisconsin (R), but the decision in Florida made more headlines because of Scott's volume regarding the issue and the amount of money left on the table.

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A final incident occurred when Governor Sam Brownback (R-KS) refused a $31.5 million grant that his state had been awarded by the Department of Health and Human Services for being an "early innovator" in the creation of a health insurance exchange.

In the latter case, Governor Brownback refused the money based on the assertion that the mandatory coverage provision in the Patient Protection and Affordable Care Act was unconstitutional and that Kansas would not, therefore, be implementing the law. In the cases of unemployment insurance and high-speed rail, states argued that the commitments or policy changes necessary to receive federal money were far more costly and/or long term than the amount or duration of the award. Governor Jindal (R-LA) summarized this justification when he said on NBC's *Meet the Press* that taking stimulus funds targeted at unemployment benefits was like "spending a dollar to get a dime." These were all reasonable justifications for the decisions not to take federal aid, but the high-profile nature of the refusals and the fact that they were all made by Republican governors led pundits to a different conclusion: namely, that partisan acrimony had grown intense enough to disrupt the distribution of grants-in-aid and that the decision by states to refuse so much federal money represented a novel development in U.S. federalism.

The decisions by some governors to leave large sums of federal money on the table and the various justifications for these decisions raise three questions that this article hopes to answer. First, is there anything new here? In other words, how common is it for state governments to leave federal money on the table? Second, is it really just partisanship? Theoretical work in fiscal federalism suggests some role for federal partisan politics in the distribution of grant funds, but has not explored that motivation among the subnational actors that seek and/or accept grant funding. And finally, does the explanation for governors' decisions regarding grants in 2010 and 2011, whatever it might be, provide novel insights into state behavior over the long term?

Before moving on, it is important to note what is meant herein by "leaving money on the table." I use this analogy to describe not only the return of federal money that has already been allocated to a state, but also the refusal to apply for available federal funds. Obviously, this second choice might be driven by a lack of grant application capacity or calculations about the probability of receiving funds versus the costs of application. Subsequent analyses do ignore these possibilities. They also acknowledge the possibility, however, that the decision not to apply for funds might be driven by the same political considerations as the return of previously awarded funds. The latter certainly makes a more newsworthy claim of state sovereignty in the face of federal power, but this study proceeds on the assumption that the latter also represents a method for state actors to pursue their own policy and political goals via fiscal federalism.

The article will address questions about leaving money on the table in three sections, which (i) review state refusals of federal money over the past fifty years, (ii) explore the degree to which partisan polarization can explain state decisions to leave money on the table in 2010 and 2011, and (iii) use the insights gained from that exploration to predict state-level applications for three diverse grant programs in 1995, 2003, and 2010. The findings from these varied analyses suggest that grants serve, among many other purposes of course, as a political resource for governors. They apply for and accept a particular grant when it will benefit them politically, either through the delivery of benefits to fellow partisans or to noncore voters as elections approach. Alternatively, they refuse, or refuse to apply for, a particular grant when other types of federal funds offer a bigger political payoff.

Is There Anything New Here?

The first question posed above is whether the refusal of federal money by governors in recent years is a novel phenomenon. The long answer is: perhaps in terms of volume, but not in terms of character, particularly if we consider the more common, though less newsworthy, ways in which states leave federal money on the table. In other words, there were more headline grabbing examples of governors rejecting grants in 2010 and 2011 than in other periods,[1] but states have been refusing federal funds, both loudly and quietly, for at least half a century. This section will briefly review some examples, both high profile and mundane, of states refusing federal money in support of the argument that the actions of governors in 2010 and 2011 were actually relatively typical.

Turning first to the high-profile refusals of federal money, there have been examples of such behavior for decades. For example, numerous southern states refused federal housing grants throughout the 1960s in order to avoid federal restrictions on what Senator Strom Thurmond (D-SC) called the "private" and "very personal" choice of neighbors and neighborhoods (quoted in Sims 1961). In the mid-1980s, New York sued and won in the Supreme Court for the right to refuse federal monies related to the disposal of hazardous waste within the state's borders.[2] In 2007 and 2008, twenty-four states refused millions of dollars in federal abstinence only funding, with Governor Ted Strickland (D-OH) telling the AP that his state was doing so because both the rules governing the expenditure of the monies were too restrictive and that there was too little evidence of the policy's effectiveness (Huffstutter 2007). As a final example, in 2009, Governor Rick Perry (R-TX) grabbed headlines across the country by refusing to compete for his state's share of $4.35 billion in Race to the Top (RTTT) education funds. He insisted in an editorial in the *Austin American-Statesman* that Texas "must not surrender control to the federal bureaucracy" and that, by creating the competition, the Obama administration had "put a target on the backs of Texas leaders, taxpayers and employers" (Perry 2010).

As easy as high-profile refusals of national funding are to find, they are far from the only way in which state governments leave federal money on the table. The high-speed rail funds that made news in 2011 provide a great example. Despite the headlines that followed the return of federal funds by Governor Scott (R-FL) and others, it went largely unnoticed that eighteen states had simply chosen not to apply for the federal railway administration's High-Speed Intercity Rail Project funding.[3] Some of these nonapplicants—like Wyoming—were fairly predictable given their low population density and lack of urban centers. A more nuanced explanation is required to understand other states' decisions to forgo rail funding, which I will return to later in the article.

For now it is sufficient to note that a quick examination of U.S. discretionary grant programs over the past couple of decades provides ample evidence that the Rail Project is the rule rather than the exception. The Catalogue of Federal Domestic Assistance suggests that between 1993 and 2009, there were 849 project or cooperative agreement grants that were both nationally focused (rather than targeted at specific regions or places) and where state governments were eligible applicants for funding.[4] A random sample of fifteen of these programs suggests that, across the years in which a grant was offered, an average of twenty states did not receive funding in any given year. These grants span the continuum of purpose, agency, size, and, presumably, ideological salience. As examples that bookend this continuum, there is the Department of Health and Human Services' Healthy Start program, which provided ~$200 million in some years to state programs targeting maternal and infant health among high-risk populations, and the Department of Homeland Security's Cooperating Technical Partners program, which often gave away <$5 million to encourage states and localities to produce better flood insurance maps.

Across even this small sample of grants there is considerable variation not only in which states receive funds from the programs in any given year, but also in the applicants to each grant from year to year. For example, if we compare the Cooperative Technical Partners Program mentioned above with the Employment and Training Administration's Pilot, Demonstrations, and Research Grant (another relatively small program) in 2006, we see that twelve and thirteen states respectively chose not to apply for funding. The overlap between nonapplicants to the two programs was only four states, however. More interesting perhaps is the observation that in the ETA program, thirteen states that did not receive money in 2006 did so in 2007, or vice versa. In the DHS grant, twenty-one states took money in one year but not in the other.

How Important Is Partisanship?

Hopefully, the previous section provides some evidence that the events of 2010 and 2011 were not particularly novel, other perhaps than in the sheer volume of instances that occurred in those couple of years. For decades, states have been leaving federal grant money on the table through both high-profile refusals and, more commonly, through routine application decisions. The question remains, however, if the recent state behavior can be explained predominantly by partisanship. Here the answer appears to be both yes and no.

In the cases of the high-profile refusals of federal money in recent years, partisanship certainly appears to be the dominant motivation. All the governors that rejected stimulus funding to extend unemployment benefits were Republicans and, other than that, their states had very little in common. Some had very high unemployment (e.g., Louisiana), while others had relatively few people out of work (e.g., Minnesota); some were relatively wealthy (e.g., Alaska), while others were very poor (e.g., Mississippi).[5] Similarly, the states that sent back high-speed rail funding had little in common except the party of their governors. In reality, partisanship (or ideology) likely explains most if not all of the high-profile refusals of federal funding over the years, since these were primarily symbolic position-taking exercises by the governors involved. Partisanship certainly seems to explain the examples offered in the previous section. All four governors who refused to apply for RTTT funding were Republicans. A supermajority of states that refused Abstinence Only funding from the Bush administration were headed by Democrats. Finally, though they shared the same party as the president, all the governors that refused federal housing grants in the 1960s were avowed segregationists.

If we examine the more common method in which states leave federal money on the table, the importance of partisanship becomes more complex. Once again, the high-speed rail program can help to illustrate this point. If we look at the governors from each party that applied for rail funds in a simple bivariate comparison, a significantly greater proportion of Democrats did so relative to Republicans. Thus, it would appear that partisanship influenced initial application decisions as well as the more high-profile returns of rail funds. Interestingly, however, if we condition on whether the governor was facing reelection in 2010, the differences between the parties disappear. In other words, the proportion of Republican governors running for reelection who applied was not statistically distinguishable from the proportion of Democrats who did so. An analysis in the next section will investigate whether this relationship holds up to a more appropriate analytic technique and the introduction of control variables.

For now, however, we can note that the same pattern emerges in a simple analysis of RTTT by U.S. governors. The four states that chose not to apply at all for RTTT funds were all headed by Republicans. It is important to remember, however, that states had the opportunity to apply for RTTT funding twice, but only twenty-nine states chose to do so. Republicans were more likely to file only one application than were Democrats, but the differences between the parties disappear if we condition on an upcoming election. Republicans facing reelection in 2010 were as likely as Democrats to seek funds in both rounds of the competition.

What Does Recent State Behavior Teach Us?

The cases discussed above suggest that both party and electoral politics may play a role in governors' decisions regarding the pursuit of federal funds. The question remains, can this observation tell us anything about the pursuit of grants more generally or over the longer term? In other words, are the political motivations for "leaving money on the table" generalizable to other grants in other time periods? The remainder of the article is dedicated to answering that question.

Previous Work on Grant Distribution

The best way to begin answering the question posed above is by putting the observations regarding state behavior in the last few years in the context of the larger literature on the distribution of federal grant monies. "Supply-side" studies, which focus on the ways in which federal preferences determine the allocation of grants, have argued that these allocations reflect shared party affiliations (Bickers and Stein 2000; Balla et al. 2002) and are used to advance partisan agendas. Supply-side scholars have also noted the electoral motivations for grant allocations, suggesting that members of Congress strategically utilize the distribution of federal monies to discourage challengers (Bickers and Stein 1996) or win votes in swing states or districts (Lindbeck and Weibull 1993; Dixit and Londregan 1996), and that presidents use allocations tactically to reward states that supported them electorally (Larcinese, Rizzo, and Testa 2006).

"Demand-side" approaches, which focus on the role that state needs and preferences play in the distribution of federal monies, have paid considerably less attention to the political motivations of state-level actors. Indeed, no work to date has investigated if governors of one party or the other apply for more grant funding or if they are more likely to pursue funds when the presidency or Congress is controlled by same party. Previous work has done a slightly better job addressing the electoral motivation of state actors who seek grants. Scholars have long suggested that the appetite for a public good within a jurisdiction influences the amount of federal money it receives (Arnold 1979; Levitt and Snyder 1995; Bickers and Stein 1996; Rundquist and Carsey 2002). Presumably, satisfying that demand has electoral payoff for local and state-level politicians who apply for those funds, though this has not been explicitly tested. Recent formal models of the grant-in-aid process predict that subnational politicians will be cognizant of reelection when considering federal grants, but argue counterintuitively that they are more likely to accept federal grants in areas where they *do not* expect to garner much electoral credit (Volden 2007).[6] Again, this suggestion has not been empirically tested.

Applying Theories of Public Expenditure to Grant Decision Making

Despite the relative inattention to the impact of party and electoral concerns at the state level, it is plausible to expect that these factors may influence the decisions by governors to seek and accept grant funding for a variety of reasons. The first of these is the importance of party and electoral advantage in allocation decisions at the federal level. If we assume that these state-level politicians share party attachments and reelection goals similar to those of their national counterparts, then we might expect that they would also make decisions about grants using these criteria.

Existing theories of economic policy and outcomes bolster the assertion that partisanship and elections might influence fiscal federalism decisions in the states. The first of these focuses on the ideology of parties and the need for incumbents to produce public (or private) goods that match that ideology. The theory suggests that parties, when in power, must implement policies that satisfy core constituencies (Hibbs 1977). The partisan approach expects, and finds considerable evidence, that left-leaning governments will spend more money on different types of policies than their right-leaning counterparts (Cameron 1978; De Haan and Sturm 1994; Midtbo 1999).[7] The second theory of expenditure argues that elections provide an incentive for opportunistic behavior by incumbent politicians (Nordhaus 1975; MacRae 1977). Interested in reelection, these incumbents attempt to manipulate economic conditions in order to increase their popularity and the likelihood of victory. The electoral model has received some empirical support (Blais and Nadeau 1992; Schuknecht 2000), though the evidence suggests that opportunistic politicians are more successful influencing policies (e.g., transfers) than they are outcomes (e.g., lower unemployment).[8]

One effort to reconcile these approaches suggests that electoral and partisan budget cycles have mistakenly been treated as independent of one another. Frey and Schneider (1978a, 1978b, 1979) suggest that incumbents will pursue partisan goals, thus emphasizing policies preferred by core constituencies, only so long as their electoral future is assured. As electoral uncertainty increases, however, they should be expected to move away from the ideological position and act opportunistically in order to increase overall popularity and the likelihood that they will capture the median voter in the next election. Thus, even if a government favors reduced expenditures ideologically, it will expand expenditures when electoral security is low. Alesina et al. (1997) offer a similar expectation that incumbents will pass economic policies targeted at core voters early in their terms, but begin to accept those favored by the median voter as elections approach. Though not perfectly consistent (Renaud and van Winden 1987), numerous studies have found support for these expectations (Devine 1985; Schultz 1995; Petry et al. 1999; Tellier 2006).

Applying the Frey and Schneider model to the decision to seek and accept federal grant funding is relatively straightforward and we can begin with the proposition that parties and candidates maximize utility by passing policy that appeals to core constituents. Research suggests that Republicans are more likely to prefer distributive policies that provide broad collective benefits, such as highways, law enforcement, natural resources, economic development, and education. Alternatively, Democrats tend to spend more on redistributive programs that provide particularized benefits, such as welfare, hospitals, and employment security (Jacoby and Schneider 2001). Based on the partisan logic that governors will seek money that allows them to cater to core constituents, Republican governments should apply for more federal money from distributive or developmental grant programs (e.g., education, highways, and economic development) than from grants targeted at redistribution or regulation (e.g., unemployment, public transportation, and environmental regulation).[9]

We can turn now to the assertion that electoral incentives can overcome ideological opposition to spending in a particular area, at least in the short term, as incumbents turn their focus to retaining power (Frey and Schneider 1978a and 1978b; Alesina et al. 1997). Applying this proposition to the question of grant receipt produces the expectation that incumbent politicians will seek grants targeted at policies preferred by noncore voters as elections approach. Increases in grants for Democrats facing election should be greatest in highways, law enforcement, and so on, while increases for Republicans should be largest in redistributive and regulatory programs.

Before moving on, it is important to put these expectations back in the context of the overall theme of this article; namely, the decision by states to leave federal money "on the table." Of course, the analogy implies that states are *choosing* not to apply for federal funds, which they might do so for a variety of reasons. For example, the cost of the application may be too great compared with the expected likelihood or size of the award. Alternatively, the matching requirement, maintenance of effort mandate, or other long-term costs accompanying federal money might be deemed too high given current or expected fiscal health. The expectations outlined above do not ignore these or myriad other alternative explanations. They simply add to them the possibility that incumbents who are from different parties or are facing different electoral pressures may favor different types of grant aid based on the expected political payoff.

Empirical Analysis of Partisanship in Grant Applications

I tested the assertions discussed above in applications by states to three different project grants, in 2010, 1995, and 2003, respectively. As noted above, there were almost nine hundred different project grants available to the states during that time, so these three certainly do not provide a representative sample. Nonetheless, the characteristics of the grants, which are reviewed in detail below, should allow us to draw some cautious conclusions about the systematic influence of partisan and electoral pressures on grant application decisions more broadly. Other than the fact that they require application, these grants have very little in common. They were targeted at different policy areas, including public transportation, law enforcement, and environmental regulation, and each was administered by a different presidential administration. Each type of funding enjoyed a very different level of salience, with one representing a high-profile initiative and the others receiving essentially no popular attention. One of the grants had a matching requirement, while the other two did not. One type of funding required a maintenance of effort agreement, which was not a condition of the other two grants. Finally, one grant required a significant policy change in order to qualify for funding, while the other two did not.

Because of these myriad distinctions, the analyses herein can be thought of as a least similar systems design, where the selection of cases that share very few similarities helps to control for alternative explanations for observed relationships. If, despite all these differences, partisan and electoral variables predict application decisions in manner consistent with theoretical expectations, then we can have greater confidence that these factors truly do influence state-level decisions about which grants to pursue. The design also allows us to, albeit cautiously, draw some inference from the results in these grants to the larger population.

The first grant analyzed in this section is the High-Speed Rail Corridors and Intercity Passenger Rail program discussed above. The program was administered by the Federal Railroad Administration (FRA) explicitly to help "realize President Obama's vision of giving 80 percent of Americans access to high-speed rail within the next twenty-five years."[10] All states were eligible to apply for funds, which could be used to plan, design, or build new high-speed rail corridors or improve and maintain existing intercity passenger rail systems. If awarded, high-speed rail funds did not require a matching contribution, but states were compelled to enter into a substantial Maintenance of Effort agreement with FRA. While the return of high-speed rail funds by the governors of Florida and Ohio made headlines, the program itself garnered much less attention. In fact, neither the program nor the Passenger Rail Investment and Improvement Act that created it appeared in a story in any major newspaper prior to Rick Scott's (R-FL) high-profile decision. Since the grant funded nonhighway transportation projects and was closely identified with the Obama administration, I expect that the funding would be preferred by Democratic constituencies.

The second grant modeled below is the Violent Offender Incarceration and Truth in Sentencing program. Launched in 1995, the program required application by interested states for funds distributed by formula if the application was approved. Funds were to be used to help states build or expand correctional facilities and jails to increase secure confinement space for violent offenders. Projects required at least a 10 percent cash match from the state. In order to qualify for funds, states could either (i) implement/promise to implement laws that increased the number violent offenders sentenced to prison and/or increased the average sentence served for violent crimes or (ii) implement/promise to implement truth-in-sentencing laws that required that violent offenders serve no less than 85 percent of their terms. Unlike many grants, the VOI/TIS program was a relatively high-salience affair because it was a key component of the 1994 Violent Crime Control and Law Enforcement Act, which was the largest crime control bill in the nation's history.[11] Because of the focus on law enforcement and particularly incarceration, I expect that VOI/TIS funds would be most preferred by a core Republican constituency.

The final application decisions analyzed below were to the Science to Achieve Results (STARS) program in 2003. Despite the ambiguous name, STARS was created to help states fund fellowships in the study of "environmental science, research, education, assessment, restoration, and preservation." The funds were administered by the Environmental Protection Agency and the National Center for Environmental Research. There is no matching or maintenance of effort requirement associated with the STARS program. It is a relatively small program compared with the other two discussed in this section and is of very low salience, having never been the subject of a major newspaper story. Because STARS grant is designed explicitly to further the mission of the Environmental Protection Agency, I expect that these funds will be preferred by Democratic constituents.

Variables and Methods

The dependent variables in subsequent analyses are dichotomous indicators coded one for states that applied for a grant (Rail funds, VOI/TIS, or STARS) and zero otherwise. The models are estimated as probit regressions and report standard errors corrected for heteroskedasticity.

The first independent variable is the political party of the governor. The measure is coded one for Republicans and zero for Democrats. I focus on governors because these are all grants that require an application and gubernatorial administrations are responsible for submitting these requests for funding. The second set of independent variables necessary to test the hypotheses listed above are interactions between gubernatorial party and election year. In addition to the indicator of gubernatorial party, the models include an interaction between Republican governors and elections, coded one if the incumbent is actually running for reelection in the current or the next year and zero otherwise, as well as an interaction between an indicator of Democratic governors (coded one for Dems and zero otherwise) and election year.[12] So, the indicator of party ID shows the difference between Republicans and Democrats when they are not running for reelection. When the interactions turn on in some states because of an election, they show the change in probability of an incumbent from each party applying to the grant when running for reelection compared with the excluded category, which is Democrats not running for reelection.

The remaining variables included in the analyses control for alternative influences on grant application offered in the literature. As noted above, "supply-side" explanations suggest that national officials use grant distribution to further their own electoral goals and to reward party loyalty (Lindbeck and Weibull 1993; Dixit and Londregan 1996; Bickers and Stein 2000; Balla et al. 2002). These favorable conditions (e.g., shared party with the president, presidential election year) might also be expected to influence governors' decisions regarding applications. They are not explicitly included as controls, however, either because they are fixed across all states (in the case of presidential election) or perfectly collinear with gubernatorial party (in the case of shared party). These conditions arise because each model analyzes only a single year of data.

"Demand-side" approaches suggest an alternative set of influences that, not surprisingly, are more focused on the preferences and abilities of the states applying for federal grants. Prior work has suggested (rather intuitively) that previous success in receiving grants is a good predictor of current success. Models discussed below analyze only application decisions in the first year that funding was available. As such, the influence of "prior success" in receiving funding is held constant.[13]

The largest body of work on the demand for federal funds examines the relationship between local constituent characteristics—used as a proxy for the appetite for a public good—and federal spending (Arnold 1979; Levitt and Snyder 1995; Bickers and Stein 1996; Rundquist and Carsey 2002). I capture the general demand for a public good among a state's residents with the Berry et al. (1998) measure of citizen ideology. The assumption being that liberal constituencies will have a greater preference for high-speed rail and STARS funding and less demand for VOI/TIS funds.

Rich (1989) added the concept of "need" to the demand equation, suggesting that conditions like poverty and hunger were conceptually distinct from the simple desire among constituents for a grant. The idea of need is conceptually similar to the suggestion in recent formal work on grant distribution that states with the lowest capacity to produce goods on their own will be most likely to accept federal money (Volden 2007). I measure the need for the grants analyzed herein with a percentage of the population that lives in urban areas and the unemployment rate. I capture the capacity to produce the public goods funded by the grants in question with measures of per capita personal income and population.

Finally, previous research suggests that an office in Washington increases governors' capacity to identify and apply for federal grants. Thus, all models include a dichotomous indicator coded one if a state maintains an office in the nation's capital and zero otherwise.

Findings and Discussion

The results from the analyses of state applications to the high-speed and intercity rail (Column 1), VOI/TIS (Column 2), and STARS (Column 3) programs are presented in table 1. Looking across the three models, the findings are quite supportive of the expectations outlined above. In two of the three models, governors not seeking reelection were more likely to apply for grants targeted at policies preferred by the core constituents of their party. In the case of high-speed and intercity rail funds, Democrats not facing reelection had a 0.4 greater probability of applying to the program. Alternatively, Republicans not facing election were 0.28 more likely to apply for Violent Offender Incarceration/Truth in Sentencing funds than were Democrats who were also free of the electoral constraint. The coefficient on the indicator of gubernatorial party was expectedly negative in the model of STARS applications, suggesting that Republicans not running for reelection were less likely to apply, but the variable failed to reach traditional levels of statistical significance.

All three of the models suggest that incumbent governors' grant-seeking behavior diverges from core constituent preferences as elections approach. Democrats seeking reelection in 2010 had a 0.51 lower probability of applying

Table 1 Partisan and electoral influences on grant applications in the American states

Variables	High-speed rail	VOI/TIS	STARS
Republican governor	−1.411 (0.676)**	0.729 (0.437)*	−0.603 (0.581)
Republican X Election	−0.172 (0.766)	0.691 (0.695)	−0.933 (0.720)
Democrat X Election	−1.746 (0.628)**	1.423 (0.770)*	−1.657 (0.978)*
Citizen Ideology	0.015 (0.017)	0.003 (0.016)	−0.010 (0.015)
Percent Urban	−0.009 (0.017)	0.013 (0.018)	0.004 (0.022)
Percent Unemployment	−0.359 (0.250)	0.212 (0.188)	−0.271 (0.229)
Per Capita Income	0.000 (0.000)	−0.000 (0.000)	0.000 (0.000)
Population	1.34e-07 (6.26e-08)**	−2.84E-08 (3.72E-08)	2.56e-07 (8.17e-08)***
No Washington Office	−1.025 (0.624)*	−0.054 (0.437)	−0.559 (0.502)
$N =$	50	50	50
Pseudo $R^2 =$	0.35	0.11	0.42

Note. Numbers in parentheses are robust standard errors. $^{*}p<0.1$, $^{**}p<0.05$, $^{***}p<0.01$.

for high-speed rail funds than members of their own party who were not facing an election that year. Ultimately, the results suggest that Democrats in election years had the same probability of applying for high-speed rail funds as Republicans.[14] Democrats who were facing an election in 1996 were actually *more* likely to apply for VOI/TIS funds than members of the opposing party. Specifically, the results suggest that Democrats facing an upcoming election had a 0.45 higher probability of applying than did members of their own party who were not, and a 0.17 higher probability than Republicans not running for reelection. Finally, the results in the third column of table 1 suggest that Democratic governors running for reelection in 2004 were significantly less likely than members of their own party not facing an election to apply for STARS funding. This represented the largest substantive result in all three models, with the findings suggesting that Democrats facing election had a 0.6 lower probability of applying for STARS funding than other incumbents from their party.

Conclusion

This study began with the observation that 2010 and 2011 were marked by numerous high-profile incidences of governors refusing or returning grant money to the federal government. It then used that observation to motivate three questions. Was there anything "new" about states leaving federal money on the table? Was partisanship or ideology the primary reason for doing so? And, finally, could recent decisions by some governors to eschew federal funding tell us something more generalizable about grant related decision making in the U.S. federal system?

The evidence presented above provides reasonably compelling answers to all three of these questions. In terms of the first, there appears to be little novelty in the character of recent state-level decisions to reject federal money, though there may be something new in the frequency of such actions. For at least half a century, states have been rejecting federal policy goals by rejecting the money attached to them. They have done so in headline grabbing refusals of grants related to issues such as public housing and abstinence-only education that were key pieces of presidential agendas. More often they have done so quietly by simply not applying for grant funds made available by the federal government. From small programs administered by agencies few have heard of, to giant initiatives from cabinet level departments, a nontrivial number of states in any given year choose not to take federal money.

Partisanship appears to explain the high-profile rejections of federal money by the states quite well. In all of the examples that garnered so much attention in 2010 and 2011, the governors that refused grants were Republicans. In almost all of the historical examples discussed herein, the states that refused federal funds loudly were led by an executive from a different party than the president. The one exception was public housing grants, but in that case all governors that rejected the grants were ideologically opposed to Johnson's integration agenda. In many ways, this result is unremarkable. With all of the quiet ways in which states can leave federal money on the table, doing so publicly is likely motivated by a desire to gain notoriety or to make political hay of some sort—activities that savvy politicians are much more likely to pursue at the expense of the opposing party.

In the cases where states simply do not apply for grants, the role of partisanship is more nuanced. A simple bivariate examination of high-speed/intercity rail funds and decisions regarding the number of applications submitted to the RTTT competition suggest that in both cases Republicans were less likely to apply for funds than were their Democratic counterparts. Interestingly, however, when electoral pressures were taken into account, the impact of partisanship evaporated.

The final section of the article discusses the relationships that are consistent with theoretical models of public expenditure, and hold up to more methodological rigor and the analysis of different grant programs. Democratic governors were more likely to apply for grants targeting policy areas favored by Democratic constituents and less likely to pursue those favored by Republicans, except when they were running for reelection, when the differences between incumbents from different parties largely disappeared. Those results provide a partial answer to the final query posed at the outset of this article. They suggest that the partisan and electoral calculations behind recent decisions by governors have actually been influencing grant-related behavior in the states for some time.

Despite the fact that we can find historical examples of states leaving money on the federal table and consistently predict those actions with partisan and electoral variables, it is important to acknowledge that there may be a difference in the volume, if not the character, of recent rejections of federal money. Between 2009 and 2011, over 40 percent of Republican governors publicly rejected or refused to apply for funds being offered by the Obama administration. This appears to represent a significant increase over previous periods in which we can observe refusals of federal grants.[15] This increase may simply reflect the partisan acrimony that has marked recent years. It may also suggest that governors expect a greater political payoff than they once did from using grant refusals to publicly distance themselves from federal policy priorities with which they disagree. If this is the case, then we should expect to see the trend continue among Democratic governors the next time a Republican occupies the White House.

I would expect this to be the case because the results from this analysis suggest that governors have long treated federal grants as a political resource. The politics of fund distribution has been recognized in national government decisions, but had previously been neglected in the states. Some theoretical work has even suggested that state-level decisions about grants are somehow apolitical, driven primarily by the functional preferences of program administrators (e.g., picket-fence federalism) or inability of states to resist attractive participatory incentives built into many grant programs. The results herein suggest, however, that theoretical approaches which incorporate the partisan and electoral motivations of state actors will generate more accurate predictions about fiscal federalism.

Notes

1. This assertion is based on a search for stories related to the "rejection," "return," or "refusal" of "grants," "federal funds," or "federal monies" by states in the major news sources archived by LexisNexis.
2. New York v. United States, 112 S. Ct. 2408 (1991).
3. While the controversy largely centered around the expense of high-speed rail construction, grants were actually awarded to states not only for that purpose, but also for the maintenance of existing intercity rail lines while high-speed projects were being planned.
4. There were also dozens of region or place specific grants during this period, such as the Lower Colorado River Multi-Species Conservation Program and the Potomac Highlands Implementation Program, but I restrict the discussion here to programs for which all states might have received funding.
5. Even wealthy states such as Texas eventually had to borrow money from the federal government to pay unemployment benefits that would have been covered by the stimulus funding.
6. This expectation grows from a foundational assumption that citizens know which level of government provides the public goods they demand and award credit accordingly (see also Stein 1990). This means that both state and national lawmakers can only claim credit for the share of the goods they produce.
7. The constituencies of left parties are assumed to prefer government expansion, whereas those who vote for right-leaning parties are assumed to favor contraction in the scope of government. The partisan theory expects, therefore, that spending will go up under the former and down under the latter and that right governments will pursue policies targeted at reducing inflation, whereas those on the left will champion policies that reduce unemployment. The partisan model has received considerable and consistent empirical support.
8. Critics have suggested that the ability of politicians to alter macroeconomic conditions and the impact of such alterations on popularity are limited (see for example Golden and Poterba 1980), but the theory expects that incumbents will nonetheless try and we will, therefore, see an expansion of expenditures as elections approach (Rogoff and Sibert 1988).
9. It is important to note that this expectation is different from work on the motivations for grant distribution among members of Congress, which suggests that Democrats will prefer "spatially specific" grants like those for highway construction, while Republicans will prefer "spatially nonspecific" funds, such as veterans benefits (see Bickers and Stein 2000). These nonspecific funds can come in the form of grants, but also in the form of loans, loan guarantees, or other types of funds. I base expectations regarding grant

preferences on the policy preferences described by Jacoby and Schneider (2001) because these are based explicitly on the spending patterns of state governments, rather than on assumptions about the types of spending that *national* politicians believe will produce the largest electoral payoff. If, however, party preferences are determined by the place in which grants are spent or if Republicans are more focused on non-grant federal funds, then it will bias against the expectations offered herein.

10. Quote drawn from http://www.fra.dot.gov/rpd/passenger/2243.shtml (accessed on February 12, 2012).
11. A search of LexisNexis reveals that the act and its component parts were featured in more than three dozen newspaper articles around the nation in the year of its passage.
12. The election variable includes the current and the next year, because funding for two of the grant programs—VOI/TIS and STARS—began (and thus applications are observed) in nonelection years.
13. These also happen to be the only years for which I can observe which states applied for funding in these programs and which did not.
14. The predicted probability for Democrats in election years appears to be lower, but it is actually statistically indistinguishable from that for Republicans.
15. Based on a search of major newspapers made by the author.

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