

# Improving Outcomes in Fiscal Federalism: Local Political Leadership and Administrative Capacity

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## ABSTRACT

This study investigates how the political influence of local elected officials and the administrative capacities of local administrative agencies together shape outcomes in fiscal federalism. The results demonstrate that differences in support and direct involvements of local officials in federally funded energy programs influence the timeliness of implementation processes. Direct mayoral involvement in the grant application process increases the likelihood of on-time or early implementation of public projects, but direct city council involvement increases implementation time. On the other hand, general policy support from mayors and council members for these efforts, without direct involvement in program design, made on-time or early implementation of public projects more likely.

Through the intergovernmental grants process, cities and counties become the implementers of federal policies. With block grants in particular, intergovernmental grants provide cash-strapped municipalities with the resources and the ability to shape the federal policies that get implemented in their jurisdictions. Local governments have varying degrees of resources, capacity, and leadership commitment to apply to these programs (Hall 2008a). Thus, devolution produces challenges and creates implementation imbalances among municipalities. The consequence, at least in some instances, has been failure to accomplish the objectives of federal programs. To better understand these performance issues, we investigate the following questions: How frequently does implementation failure in federal programs occur as a result of local circumstances? To what extent does local administrative capacity and the involvement of local elected officials in grant application processes mitigate or exacerbate these performance problems?

Much of the literature on federal goal achievement in the intergovernmental grant process has a theoretical and empirical focus on principal-agent relationships between grantor and grantee governments (Chubb 1985; Nicholson-Crotty 2008; Volden 2007). The assumption is that if incentive structures and policies can be designed so that the preferences of the grantor and grantee are aligned, the federal goals will be achieved (Nicholson-Crotty 2004, 2008). This narrow focus on the grantee-grantor relationship has two primary limitations.

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First, this principal-agent approach cannot adequately account for policy failure in cases where goal alignment is not an issue, in that grantees genuinely benefit from the achievement of federal goals. Second, the narrow application of a principal-agent approach deflects attention away from political commitments and administrative capacities that are crucial to policy implementation in general. These factors exist independent of the principal-agent relationship and can favorably or unfavorably influence policy implementation. This study integrates political involvement and administrative capacity into current theories of fiscal federalism by identifying their effects on the local implementation of federally funded projects in the context of energy efficiency and conservation programs.

In the next section, we describe the Energy Efficiency and Conservation Block Grant (EECBG) program and its generalizability in the context of fiscal federalism literature. We then describe contemporary theories of fiscal federalism and the principal agent logic that underlies much of that work. We then elaborate on how administrative capacity and political support at the local level can influence implementation success and integrate them into the principal-agent approach. Hypotheses linking administrative capacity and political support to the timeliness of EECBG implementation are then tested, and the results are discussed. We conclude with a discussion of the implications of our findings and future research in the study of fiscal federalism.

### ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT

The US Department of Energy (DOE) EECBG program provides an ideal laboratory for testing theories of intergovernmental grant implementation. The EECBG program was funded by the American Recovery and Reinvestment Act (ARRA). Like all other ARRA-funded programs, an explicit goal of the program was to implement projects as expeditiously as possible in order to create new jobs and stimulate the economy (DOE 2010, 2011; US Government Accountability Office [GAO] 2011). The speed at which programs could be carried out, resources expended, and jobs created were primary foci for DOE (DOE 2010). Local governments applying for EECBG dollars were told to prioritize energy efficiency and conservation as “the cheapest, cleanest and *fastest* ways to meet energy demand” (GAO 2011, 10). Local government officials report that DOE placed particular pressure on them to spend funds quickly in order to create jobs and stimulate the economy (GAO 2011).

DOE’s flexibility in approval of EECBG projects suggests that its operation was not unlike other federal block grant programs. DOE’s administrative reporting shows that very few EECBG applications were rejected. Of those that were rejected, DOE’s extension of the project application and implementation time lines (DOE 2010, 2011; GAO 2011) allowed localities to resubmit applications. Additionally, although local grantees were initially prohibited from spending more than 10% of grant monies on administration, DOE “clarified” this requirement to allow administrative expenses of subgrantees (e.g., contractors) to exceed this amount (DOE 2011). Despite this flexibility and federal demands for transparency (DOE 2010; Hulse 2008), many local governments missed reporting deadlines and did not complete performance reports. Subsequently, both the frequency and number of reporting requirements were decreased by DOE (2011; GAO 2011). Both local grantees and the federal government

had a general interest in stimulating the economy, yet conflicting preferences impeded a smooth and effective implementation.

It has now become clear that the torpid implementation of EECBG-funded projects did not result in timely spending nor did it stimulate the American economy as was initially expected. Many localities were more than a year behind schedule in implementation (GAO 2011). At the beginning of 2013, many municipalities were just beginning the project close-out process with DOE. These moments in the EECBG program allow us to test the relationship between grantee characteristics and project implementations delays. The 18-month period provided to implement the projects sets the stage for examining how local political leadership and administrative capacity can facilitate the achievement of federal goals in the intergovernmental grants process.

The expeditious implementation of EECBG projects is anticipated to be in the interest of both the federal and the local governments. Our emphasis on the timeliness of implementation leaves out policy goals related to energy efficiency and other federal and local grant goals. However, the dependent variable capturing the expeditiousness of the projects matches our conception of federal policy failure in a manner consistent with the implementation standards advanced in the work of Pressman and Wildavsky (1973) and corresponds with the overarching goals of federal stimulus programs (Callahan et al. 2012; GAO 2010, 2011).

## **FISCAL FEDERALISM AND INTERGOVERNMENTAL GRANTS**

Fiscal federalism is based on the principal that “the central government should have the basic responsibility for the macroeconomic stabilization function and for income redistribution in the form of assistance to the poor” (Oates 1999, 1121). This is primarily accomplished through intergovernmental grants to state and local governments designed to provide public goods and services in a manner that is aligned with federal policy goals (Mueller 2003). The problem is that policy preferences differ across the different layers of government, which means that the preferences of governments receiving grants diverge from that of the federal government unless they are motivated to pursue the attainment of federal goals.

The intergovernmental management literature identifies ways that the federal government overcomes this principal-agent problem. Gramlich (1977) developed a typology of grants from which to base predictions that grants with more restrictions on state and local government spending will be more successful at achieving policy goals. Chubb (1985) built on this approach and extended it to a more formal principal-agent model to demonstrate how federal monitoring and oversight can overcome goal conflict, making it more likely that grantee governments would carry out grantor policy goals.

The extant literature directs attention to factors that account for or influence the success of programs supported by intergovernmental grants. Of particular relevance to this study is the work on grant effectiveness. Goal conflict in the form of partisan differences impacts the effectiveness of federal grants both in terms of outcomes and a recipient government’s willingness to accept a federal grant (Nicholson-Crotty 2004, 2012). Others study grant effectiveness in terms of funding levels and project design (Becker 1996; Gramlich 1977; Hines and Thaler 1995). Underlying this work is an

assumption that success in achieving federal policy goals depends upon creating the right mechanisms to overcome goal conflict. This literature often assumes that goal alignment between the principal and agent is sufficient for successful implementation and that, when incentives align, the federal government has substantial control over implementation performance.

The 2009 ARRA, which funded the program examined in this study, is a case in point where both grantee and grantor share a strong interest in the overarching economic stimulus goal (Callahan et al. 2012; Posner 2013). The intergovernmental grants funded by the ARRA were designed to distribute funds to local governments so that they could quickly spend on projects that would create jobs and foster growth in their communities. Prompt spending was the short-term goal because it was perceived as the most direct mechanism to stimulate economic growth. However, as popular media reports, government publications, and scholarly research have detailed (Callahan et al. 2012; Goldmacher 2010; Kassekert et al. 2012; Terman and Feiock 2012), ARRA-funded programs and projects experienced frequent and substantial implementation delays. What explains this policy failure when the stakes were high and expeditious implementation could yield considerable local benefits? Studying the goal congruence and incentive structure in the principal-agent relationship between the federal government and municipal grantees cannot fully answer this question.

Emphasis of the grantee-grantor relationship can deflect attention from the internal configuration of administrative capacity and political commitment that are crucial to policy implementation. In the context of competitive grants, governments with greater administrative capacity are more likely to receive federal funding (Collins and Gerber 2008). In the context of block grants, however, grantors struggle to guard against local policy failure because resource allocation is not competitive and oversight is likely to be thinner because of the sheer number of grantees. Presumably, under conditions of extreme policy failure or misdirected implementation, the grantor has the ability to punish the grantee local government the next time they interact (Axelrod 1981).<sup>1</sup> However, failures due to local capacity might become difficult to punish and can exacerbate future implementation problems. Incentive structures designed to create goal congruence in the principal-agent relationship become moot to the extent that policy failure is independent of the grantor and the incentives built into the principal-agent relationship.

The great recession heightened concerns about whether local governments actually have the capacity to develop and implement federally funded projects (Gamkhar and Pickerill 2012). These projects were often in policy areas—such as renewable energy—where most local governments had little or no previous experience or expertise.<sup>2</sup> Although there has been frequent discussion of the fiscal and human resource uncertainties plaguing state and local governments, empirical study of the role of capacity in grant programs has been limited and primarily focused on competitive

1 It should be noted the EECBG program is a one-time interaction between the grantor and grantee.

2 Other policy areas include (1) the development and building of new infrastructure that adheres to heightened code standards in vulnerable areas and (2) e-government (GAO 2010), and (3) in each of these areas, local governments are unfamiliar with the new technologies and even assessing local needs for these technologies, which results in considerable implementation delay and potential policy failures (GAO 2009, 2012).

rather than block grants ([Collins and Gerber 2006, 2008](#)). We begin to fill this lacuna by examining the relationship between capacity and how expeditiously cities implement stimulus funds using both general measures of local capacity and specific capacity measures related to energy policy.

Like administrative capacity, political commitment to and involvement in the design and implementation of public projects has long been recognized as important ([Mazmanian and Sabatier 1983](#)). By injecting themselves into the intergovernmental grant application process, elected officials have the power to influence the implementation of federally funded projects ([Riverstone-Newell 2012](#)). This power to influence occurs by virtue of the fact that local administrators are politically accountable to elected officials and respond to their preferences. However, the influence that local elected officials wield over administrators varies depending on the structure of the institutions in which these elected officials serve. For example, mayors and city councils will have differing degrees of influence just as mayors in mayor-council systems will have differing degrees of influence from mayors in council manager systems. The influence that local elected officials wield over administrators likely also depends on the degree to which these elected officials involve themselves in the grant process (i.e., simply supporting a federally funded project versus actually becoming engaged directly in the grant application process). Although this logic is intuitive, the nature of this political influence and its effects in the intergovernmental grant process—which is often within the purview of administrators—has not been systematically examined. The next section unpacks these ideas to explore how local administrative capacity and political commitment influence the achievement of federal goals.

## **INFLUENCING IMPLEMENTATION SUCCESS: ADMINISTRATIVE CAPACITY AND POLITICAL COMMITMENT**

It has long been understood that “local governments in the United States vary in their ability to deal with problems” ([Gargan 1981](#), 649). Capacity and political commitment vary across communities and offer a simple but compelling explanation for why governments receiving the same federal funds for the same activities may have significantly different outcomes ([Hall 2008a, 2008b](#)).

### **LOCAL CAPACITY**

Capacity takes many forms ([Collins and Gerber 2006, 2008](#); [Denhardt and Denhardt 2002](#); [Hall 2008a, 2008b](#)), and many of these dimensions may be relevant to implementation, but local administrative and fiscal capacity, and policy-specific expertise and analysis have proven to be particularly salient ([Howlett 2009](#)). The most serious consequence of low or inadequate capacity is policy failure because local administrators do not have the expertise to implement new responsibilities. [Howlett \(2009\)](#) described this as “a mismatch between government expectations and on-the-ground conditions” (also see [Radin 2000](#)). The influence of capacity becomes particularly important for intergovernmental programs because the outcomes have consequences at the federal and the local levels.

Surprisingly little research specifically examines the ways local capacity influences program and policy outcomes in federal systems. Instead, the literature centers on how capacity impacts who gets competitive grant awards (Collins and Gerber 2006, 2008; Hall 2008a). Most recently, Manna and Ryan (2011) examined the influence of capacity on state performance scores in the competitive granting process. Grantors use capacity as one means to discriminate between governments that are more or less likely to succeed in carrying out the goals of the grant. For this very reason, capacity issues may be even more important to study in context of block grants because all grant recipients meeting particular criteria (i.e., with populations over 25,000) are guaranteed funding with the award amount determined by formulae.<sup>3</sup>

The bulk of federal grants still flow to states through block grants or block grants with formulaic cost sharing (i.e., Medicaid, substance abuse treatment, and infrastructure development; Beam and Conlan 2002). Additionally, understanding how capacity leads to implementation failure (or success) in blocks grants can shed light on grant management or support techniques that the federal government can use to minimize this failure and can apply to competitive grant programs as well.

The salient forms of local capacity to federal policy implementation are general administrative capacity—often measured in terms of staffing or revenue—and capacity that relates specifically to the substantive policy area of the projects being implemented. Government capacity does not exist on its own but rather exists “in relation to its application” (Hall 2008b, 596; also see Bowman and Kearney 2011; Gargan 1981). This is particularly important to consider in the context of fiscal federalism because local government organizations implementing federal policy may need to operate outside of their usual area of expertise and core competencies. Using intergovernmental grants, local governments undertake projects that they might not otherwise.<sup>4</sup> Regardless of whether or not capacity is a problem in the day-to-day activities for a given government, it can become an issue when implementing projects through federal grants. An explicit assumption in the EECBG program was that governments were capable of implementing projects aimed at climate protection and energy efficiency goals (DOE 2011; GAO 2011), yet as of 2010, over 60% of cities had not yet adopted climate protection and energy efficiency goals in their planning documents (Terman and Feiock 2012). This suggests at least some local governments apply for and receive federal funding for projects that they may not have the capacity to successfully implement in projected time frames.

Local capacity related to policy goals can be different than local capacity related to general administration. A government adept at carrying out its daily functions may be less competent at implementing new responsibilities. Howlett (2009) argues that governments need “more careful matching of administrative resources to policy goals” (162). Although Howlett (2009) is writing more generally about a government’s ability to engage in policy analysis and use evidence-based decision making, the idea of matching capacity to needs can also be applied to matching administrative resources

3 There is, of course, grant submission guidelines and performance reporting that is required.

4 Although ARRA-funded projects were supposed to be “shovel ready,” reports suggest that the design of many of these projects was not well thought out in terms of procurement and internal technical expertise (GAO 2011). Additionally, the fact that delays in implementation were so widespread sheds doubt on the degree to which these projects had been designed before the grant submission.



with implementation in particular policy contexts (Colebatch and Radin 2006). These policy capacities include the access to staffing and information that allow for the successful design and implementation of projects that are specifically related to energy. The arguments presented here lead to the following hypothesis:

Municipalities with higher levels of administrative capacity—both overall capacity and that specifically related to energy efficiency and conservation—experience less delay in program implementation.

## **INFLUENCE AND COMMITMENT OF POLITICAL ACTORS**

Intergovernmental grants represent an opportunity for state and local elected officials to garner support from their constituents (Gamkhar and Pickerill 2012). Mayors and city council members are able to claim credit for federally funded public projects and incentives that have the potential to spur economic growth (Manna and Ryan 2011). This provides political benefits in terms of supplying goods and services for their constituencies (Bickers and Stein 1996; Lubell, Feiock, and Ramirez 2005). Furthermore, in comparison with competitive grants, block grants are especially low-hanging fruit for politicians looking to ingratiate themselves with their constituents because these grants are reliable and predictable funding streams that elected officials can put their names behind without considerable effort to actually secure those funds (Gamkhar and Pickerill 2012). In other words, the costs of exerting political influence in these situations are relatively low and the political benefits can be quite high.

Independent of the political benefits received by elected officials, political influence and the communication of preferences also have consequences in terms of project outcomes in the intergovernmental grant process. The extent to which policy support involves direct involvement in the administrative grant application process varies. Support can be more general in terms of supporting or endorsing action in a particular policy area or it can be more specific in terms of direct engagements in the grant application process. More general support may include a mayor joining the US Conference of Mayors' Climate Protection Agreement (Krause 2012; Sharp, Daley, and Lynch 2011) or a city council passing a climate adaption plan (Sussman 2009). In these two cases, elected officials are engaged in policy decisions that send the general message that they support environmentally sustainable projects with the goal of climate mitigation or adaptation; yet, mere passage of these policies does not mean that they become directly involved in subsequent implementation design. Alternatively, efforts to support or claim credit for programs can take the form of direct involvements in bureaucratic implementation. An example of more direct involvement is Philadelphia Mayor Michael Nutter's involvement in the city's EECBG project design. His office actively participated in the City's EECBG application with the distinct goal of linking EECBG projects with the Mayor's 15 sustainability targets. Mayor Nutter suggests that, with his strategic planning, EECBG-funded projects have allowed the city of Philadelphia to meet 6 out of 15 of these targets (McCarty 2009). This form of direct involvement has multiple consequences.

When elected officials become directly involved in the grant application process—as opposed to general support of particular policies—their presence is noticed. First,

by virtue of their involvement, they have sent the message to the local bureaucracy that a particular federally funded project or program is important to them. Second, their active presence has the potential to attract public attention in the form of heightened media and interest group scrutiny of the administrative process in terms of grant project implementation. Third, by virtue of their duty to oversee the bureaucracy, elected officials are able to apply pressure on local administrators to expedite public projects. The culmination of these factors can force local bureaucracies to prioritize the implementation of particular projects.

### **ELECTED OFFICIALS AND THE ROLE OF GOVERNMENT STRUCTURE**

The arguments above might lead one to believe that all elected official involvement results in prompt implementation, we argue that this is not the case. We argue that the consequence of elected official involvement varies according to the institutional structures within which politicians operate. In particular, we differentiate (1) the direct involvement of a mayor in a mayor-council system of government from that of a mayor in a council manager government and (2) the involvement of a mayor from that of city council members. The theory behind these suppositions is unpacked below. As executive in their government, mayors have the bully pulpit to make their preferences unequivocally known and to apply concentrated pressure on local administrators. Thus, if they are involved in the grant application process, local bureaucrats have certainty about implementation and recognize that they, to some extent, have the support of the top elected official in the government. This leads to the following hypothesis:

Municipalities where mayors are involved in the grant application process experience less delay in implementation than municipalities where mayors are not involved in the grant application process.

Two general forms of government have dominated the municipal landscape for the last century. A mayor-council or strong mayor form based on separation of powers between an independently elected mayor and the council and a council manager or weak mayor form that unifies and consolidates governmental authority in the council that can hire or dismiss a manager. These two forms of government provide the platform upon which the other institutional components are built (Svara and Nelson 2008). Like presidential and parliamentary systems at a national level, the important institutional variation is often within each form.

The powers of mayors are central to conventional classifications of the forms of municipal government (Hays 1964, 1974; Schiesl 1977; Stillman 1974). George Frederickson and his associates offer an alternative “adapted cities” interpretation that rejects the primacy of the dichotomy of forms of government; yet, it remains the dominant measure of municipal structure in empirical research (Carr and Karuppusamy 2008, 2009). In fact Frederickson’s argument has met criticism particularly in the work Svara. Nelson and Svara (2010) argue that, although the dichotomy of form of government is the constitutional and legal basis for assigning authority and functions to officials in government, it creates a platform on which secondary charter provisions are built.

The mayor-council/strong mayor versus council manager/weak mayor platform suggests fundamental differences in the motivations and incentives of local executives



(Bae and Feiock 2013; Carr and Karuppusamy, 2008). Additionally, a recent application of Ostrom's institutional grammar to local charter provisions found that institutional provisions cluster around the traditional dichotomy (Weible et al. 2013).

The role of mayors is different depending on the form of government, particularly whether the jurisdiction has a city manager position (Clingermayer and Feiock 2001; Svara 1990). Under council manager forms of government, the city manager has a key management and policy implementation role and exercises executive responsibilities that belong to the mayor under major-council government (Zhang and Feiock 2010). To the extent that the locus of executive authority is with the manager, the role of the mayor is a little more than that of a council member with elevated visibility. Thus, in jurisdictions with a city manager, the effect of mayoral involvement in the grant application process will be lessened. This leads to the following hypothesis:

Municipalities where the mayor is involved in the grant application process will experience more delay in implementation in the context of council manager government than in the context of mayor-council governments.

Regardless of whether a given municipality has a council manager or mayor-council system, the direct involvement of a mayor in the grant application process is considerably different from that of a city council. Although it acts collectively, a city council is a governing body with multiple members each with distinct policy experience and degrees of political power. The individual influence of council members is especially salient for small bodies that operate in close proximity to administrators as is the case with city governments. In these small-scale governments, council members operate as multiple principals with heightened access to convey individual preferences to administrators. This pressure has the potential to have adverse consequences on implementation.

Not only must the bureaucracy be attentive and responsive to collective actions of council, they must be sensitive and responsive to particular interests on members. As a body with multiple principals, council member involvement forces administrators to decipher the importance of particular projects among different council members. Even when they agree on broad policy action, individual council members will almost always have somewhat different preferences, priorities, and constituencies to please. Although often applied at the federal level, the multiple principals framework is no less appropriate here. "The existence of multiple principals strongly indicates that all principals will not agree on goals, and goal conflict among principals makes the relationship between principals and agents exceedingly complex" (Waterman, Rouse, and Wright 2004, 35). This heightens uncertainty and produces a need for administrators to be cautious and risk averse because no matter how carefully they act, they run the risk of upsetting one or more council members. For example, when the city council becomes involved in the grant application process, administrators have to weigh the benefits of getting programs in place and operating more quickly against allowing each member to weigh on the particulars of the project. Furthermore, by virtue of the fact that council involvement attracts media attention, deviations from council member preferences are more likely to be detected. This leads to the following hypothesis:

Municipalities where the city council is involved in the grant application process experience more delay in program implementation than municipalities where the city council is not involved in the grant application process.

This assertion that council involvement slows or derails implementation may seem counter intuitive. However, collective general support for programs is distinct from involvements in program design and implementation. Passage of a local climate mitigation or adaption plan supporting a larger agenda or policy choice for energy efficiency or sustainability can facilitate administrative action, but *involvements* in the application process to actually design the implementation of this policy has the potential to constrain and complicate action.

General support from elected officials acting collectively reflects community preferences in addition to the potential commitment of resources and political energy. In contrast, the council's *direct* involvement in the administrative process heightens uncertainty as projects are designed to reflect the diverse and sometimes conflicting individual preferences of political actors. In the context of the EECBG program, councils that generally encourage and support municipal efforts in energy conservation and sustainability send a message that implementation of projects in the policy area, such as those funded by the EECBG program, are a priority. This leads to the following hypothesis:

Municipalities where the city council is perceived as supporting municipal energy conservation and sustainability efforts will experience less delay in implementation.

## RESEARCH DESIGN

The primary source for our data is the 2011 national survey, *EECBG: Implementation and Impact*, which was sent to the population of EECBG grantee cities. To receive DOE funding, cities had to specifically designate a staff member as a liaison to the agency. Questionnaires were addressed to this individual for each city. The survey had a 74% response rate. Respondents answered a series of questions regarding their local government's experience with the EECBG application process in addition to their energy efficiency and conservation practices.

Administrative data obtained from the US DOE include detailed information on each city's grant projects, the amount of each project's grant, their planned implementation deadline, and date when implementation actually began. DOE administrative data were then matched and paired with the survey data for each municipality. This enabled us to investigate the relationship between a municipality's EECBG application development and planning process and implementation delay. Control variables came primarily from census bureau sources.

## MEASUREMENT

Local governments could apply to the EECBG program for projects in 14 categories (see Appendix 1). Implementation delay was measured based on DOE administrative records. This allowed us to determine the extent to which implementation was early or late by subtracting the planned implementation date from the actual implementation date. Positive values indicate the number of days the project was delayed, and negative

values indicate the number of days the project was implemented ahead of schedule. A value of zero indicates that the project was implemented on time. For each grant category, the number of delay days was averaged. For each project, the average number of delay days for that given project type was subtracted from the actual number of days delayed or implemented early (see Appendix 2).

Capacity was measured both generally and specifically as it related to the achievement of energy efficiency. The general measure of capacity was adapted from [Collins and Gerber \(2008\)](#) and was operationalized by the number of financial administration employees in the city per 1000 residents. Although not perfect, this measure is useful in identifying capacity that a local government has to process intergovernmental grants since finance administrators are the primary actors through which all local grant dollars will pass, making it a more generalized measure of capacity. Furthermore, using the number of financial administrators per 1000 residents accounts for better staffed cities that can facilitate applications and better respond to hiccups in the grant process.

Capacity as it is related to the achievement of energy efficiency was measured as (1) whether the municipality had one or more staff members dedicated to sustainability; (2) in relation to EECBG projects, the degree to which respondents identify lack of staff as an obstacle to the city's ability to reduce its overall energy consumption; and (3) in relation to EECBG projects, the degree to which respondents reported that lack of information resources was an obstacle to the city's ability to reduce its overall energy consumption.

Political leaders' support for and involvement in projects was measured by the degree to which the respondent reported that (1) the city council was involved in the grant development process, (2) the mayor was involved in the grant development process, and (3) the city council/commission opposed or supported energy conservation and sustainability effort by the city government. The hypothesis that mayoral involvement in council manager systems produces more delay than in mayor-council systems is tested by estimating an interaction effect between mayoral involvement in the grant development process and council manager form of government.

Control variables in the model estimations include political ideology of the city council, population, geographical size of the municipality in square miles, per capita property tax, per capita income, and the amount of the grant. [Table 1](#) reports the variables, their operationalizations, and their data sources.

## **ANALYTIC TECHNIQUES**

We estimate the influence of the independent variables with a hierarchical cross-level random effects model ([Rabe-Hesketh and Skrondal 2008](#); [Rasbash 2000](#)). Hierarchical models allow the correlation for observations within particular units in the data to be taken into account. They enable researchers to examine the variation between observations with the same group (i.e., correlation between project types). In this study, projects are the unit of analysis. These projects are nested within both municipalities and project types. This is the nature of the cross-level—it allows particular units (projects) to be nested in two different higher order units (project types and municipalities). Each random effect enables us to determine whether there is statistically significant variation on the dependent variable between the units (i.e., between project

**Table 1**  
Variable Measurements

	Variable Measurements	Data Source
Dependent variable		
Implementation timing	The deviation in days of delay for project i of project type j from the average number of days of delay for project type j (see Appendix 2)	DOE Administrative Data
Independent variables		
Political involvement and leadership		
Mayoral involvement in grant application	How involved [was the mayor] in completing your city's EECBG application? (4-point scale from no involvement to high involvement with a fifth option for "Don't Know")	EECBG Recipient Survey
Council involvement in grant application	How involved [was the city council/ commission] in completing your city's EECBG application? (4-point scale from no involvement to high involvement with a fifth option for "Don't Know")	EECBG Recipient Survey
Council support of energy conservation/ sustainability efforts	To what extent would you say that the [city council/commission] support or oppose energy conservation and sustainability efforts by you city government? (5-point scale from "strongly oppose" to "strongly support")	EECBG Recipient Survey
Administrative capacity		
Overall capacity	Number of financial management staff members in a municipal government per 1000 residents	Census of Governments 2007
Managerial capacity	Council manager form of government with appointed city manager	International City/County Management Association Municipal Form of Government 2011
Dedicated sustainability staffing	Which scenario best describes staffing sustainability activities in your city? (Check the response that best applies; choices include no dedicated staffing for sustainability, dedicated staff based in city manager/CEO office or equivalent, dedicated staff based in the mayor or city council office, and dedicated staff based in one or more departments)	EECBG Recipient Survey

*Continued*

**Table 1** (*continued*)

	Variable Measurements	Data Source
Lack of staff capacity to reduce energy consumption	[In relation to EECBG projects] on a scale from 1 = “not an obstacle” to 5 = “substantial obstacle”; please rate how [lack of staff capacity] influences your city’s ability to reduce its overall energy consumption.	EECBG Recipient Survey
Lack of information resources to reduce energy consumption	[In relation to EECBG projects] on a scale from 1 = “not an obstacle” to 5 = “substantial obstacle”; please rate how [lack of informational resources] influences your city’s ability to reduce its overall energy consumption.	EECBG Recipient Survey
Control variables		
Political ideology	On a 10-point scale, from very conservative (1) to very liberal (10) what is your assessment of the ideological leaning of your council?	EECBG Recipient Survey
Per capita income	Per capita income in the municipality	Census 2010
Per capita property tax	Per capita municipality property tax	Census 2010
Population	Municipality population	Census 2010
Unemployment rate	Municipality unemployment rate	Census 2010
Grant amount	The dollar amount of the federal grant	DOE Administrative Data

types). There are three random effects in the model: (1) between municipalities, (2) between project types, and (3) between combinations of municipalities and project types (Rabe-Hesketh and Skrondal 2008).

## RESULTS

Table 1 reports descriptive statistics for all of the variables included in the analysis. For projects in the same category, the average number of delay days was just over 1 day with a standard deviation of 118 days. As expected, the random effect for project types is not statistically significant because the delay measure already accounts for project type. Without this correction in the dependent variable, the average number of days late for all projects equals 51 (50.058) with a standard deviation of 120 days, as reported in Appendix 1.

The results in table 3 provide substantial support for the framework outlined above and a number of the specific hypotheses.

Capacity proved to have a limited and unexpected influence on implementation timing: of the capacity predictors, only lack of staff capacity was statistically significant and lack of staff capacity has a negative effect on implementation delay. As lack of staff capacity became more of an obstacle, the number of days to begin

Table 2  
Descriptive Statistics<sup>a</sup>

	Mean	SD	Minimum	Maximum
Implementation timing <sup>b</sup>	1.298	117.59	-475	663
Political involvement/leadership				
Council involvement	2.29	0.929	1	4
in grant process				
Mayor involvement	2.494	1.091	1	4
in grant process				
Council efficiency/	4.18	0.761	1	5
conservation support				
Administrative capacity variables				
Financial	68	124	3	1332
management staff				
City manager	0.725	0.447	0	1
Dedicated	0.454	0.499	0	1
sustainability staffing				
Lack of staff	2.996	1.342	1	5
capacity to reduce				
energy consumption				
Lack of information	2.081	1.015	1	5
resources to reduce				
energy consumption				
Control variables				
Political ideology	5.394	2.194	1	11
Per capita income	27105	11730	12344	167750
Per capita property tax	423.378	427.024	0	2810.939
Population	44182	202612	25002	1526006
Land (m <sup>2</sup> )	56	77	1	747
Unemployment rate	9.425	2.96	4.3	20.7
Grant amount	287650.7	542861	0	8491210

<sup>a</sup>All variables except grant amount are at the municipal level (not grant level).

<sup>b</sup>See Appendix 1 for additional information on grant categories.

implementation decreased by 9 days, controlling for all other variables. This effect can be explained by taking into account the type of projects that governments lacking staff capacity chose to undertake. A chi-square test for proportionality based on the type of project and lack of staff capacity revealed that the type of projects chosen was not proportional across the levels of staff capacity reported by municipalities. Comparing the observed proportion of project types according to level of staff capacity to the expected proportion of project types according to lack of staff capacity showed that, in some cases, municipalities reporting a greater lack of staff were less likely to engage in projects where the average days of delay was higher. In other words, the projects that governments with a lack of staff capacity were applying for were those less likely to be experience delay in the first place.

For example, energy efficiency retrofit projects had an average of 73 days of delay, which is relatively high when compared with other project types (see Appendix 1). Only 36% of municipalities engaged in energy efficiency retrofit projects reported that lack of staff capacity was considerable or substantial obstacle ( $x > 3$ ). The chi-square



**Table 3**  
Hierarchical Cross-Level Effects Model

	$\beta$	SE	$\beta$	SE
Council involvement in grant process	14.940*	6.394	14.937*	6.393
Mayor involvement in grant process	-12.058*	5.946	-28.745**	10.641
Council efficiency/conservation support	-30.398*	13.037	-18.4914**	6.908
City manager	-9.057	12.550	-72.2*	37.135
City manager $\times$ mayor involvement	—	—	22.184*	11.696
Sustainability staff	12.289	10.84	15.634	10.811
Political ideology	2.929	2.367	3.892	2.425
Financial administration employees	-22.323	16.060	-22.918	15.905
Lack of staff capacity	-8.699*	3.836	-9.122*	3.791
Lack of information capacity	4.806	5.201	4.927	5.138
Total population	<0.000	<0.000	<0.000	<0.000
Land size (m <sup>2</sup> )	-0.118	0.103	-0.124	0.102
Unemployment	-3.748*	1.747	-3.393*	1.725
Per capita property tax	0.03*	0.012	0.026*	0.012
Per capita income	<0.000	<0.000	<0.000	<0.000
Grant size (\$)	<0.000	<0.000	<0.000	<0.000
Constant	74.745*	34.045	170.856**	49.206
Random effects				
Grant category	4.020	5.904	4.350	5.715
Municipality	48.861*	5.033	47.558**	5.034
Grant category/municipality	102.805*	2.584	102.86**	2.584

\* $p \leq .05$ , \*\* $p \leq .01$ . Log likelihood = -6359.97\*\*; Wald chi-square (15) = 30.88;  $N = 1038$ , municipalities = 266. Log likelihood = -6357.6\*\*; Wald chi-square (16) = 36.51;  $N = 1038$ ; municipalities = 266.

test indicates that the expected proportion of municipalities engaged in these projects was 41%. Alternatively, municipalities reporting that lack of staff capacity was a considerable or substantial obstacle ( $x > 3$ ) were more likely to engage in projects with lower average project delay such as technical consultant services and buildings and facilities projects.<sup>5</sup> In other words, governments with lower levels of staff capacity did not challenge themselves by applying for EECBG project types that they would not have the resources to effectively and promptly implement.

This introduces concerns about selection effects. Namely, municipalities with a lack of staff capacity were more likely to apply for certain types of projects and these projects were less likely to experience delay. Examining selection effects for 14 different project types would be extremely unwieldy. Additionally, the fact that the initial model was estimated with project types as one of the random effects (rather than as independent variables) precluded us from running the traditional two-stage models. Nonetheless, to deal with concerns about selection, we estimated two-stage models

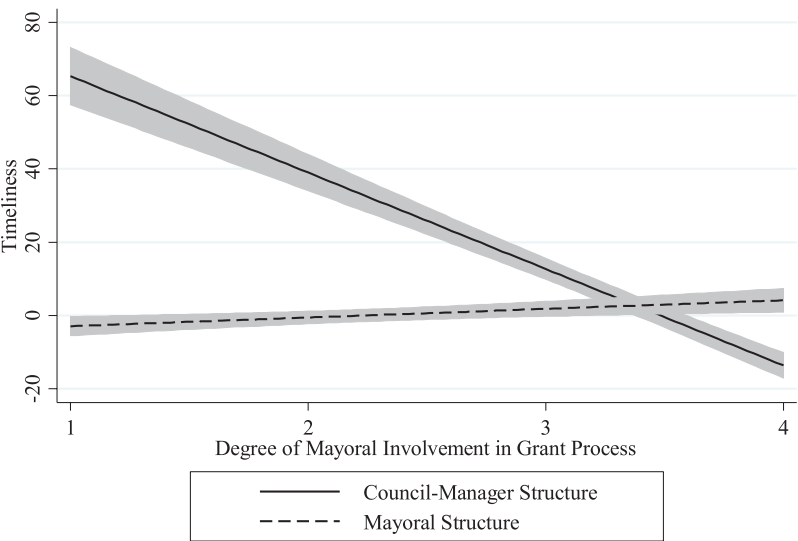
5 For municipalities reporting that lack of staff capacity a considerable or substantial obstacle ( $x > 3$ ), the expected proportion of municipalities engaged in technical consultant services was 41%, and the observed proportion was 49%—an eight percent difference. For municipalities reporting that lack of staff capacity a considerable or substantial obstacle ( $x > 3$ ), the expected proportion of municipalities engaged in buildings and facilities projects was 41%, whereas the observed proportion was 41%—a 9% difference.

using error clustering at the municipal level for two project types where delay was more likely: lighting and energy efficiency retrofits.

First, we estimated logit models to identify at the effect of lack of staff capacity and relevant control variables on the probability of choosing a given project type.<sup>6</sup> Second, we included those predicted values in the final regression equation using the same variables that were used to estimate the cross-level model without the interaction effect. The logit models show that lack of staff capacity does not have a statistically significant relationship to either energy efficiency retrofits or lighting. Likewise, in the results of the final regression estimations for both energy efficiency retrofits and lighting, project type had no statistically significant relationship to delay.<sup>7</sup> Thus, selection effects do not seem to be present for two of the primary project type where delay is more likely to occur.

Political involvement by local officials had the predicted effects. Table 3 reports model estimates for the analysis with and without the interaction effect between mayoral involvement and the presence of a city manager. In the analysis without the interaction effect, for each additional increment of mayoral involvement reported in the grant application process, the number of days to begin implementation was estimated to decrease by 12 days, controlling for all other variables. This increases the likelihood that projects could actually be implemented early. However, the effect that mayoral involvement has in the grant application process diminishes by 22 days in council manager cities compared with mayoral involvement in mayor-council cities (also see figure 1).

Figure 1  
Political Involvement and Form of Government



6 The control variables included to estimate project choice both energy efficient retrofits and lighting were administrative and policy capacity, population, land per square mile, per capita property tax, and grant size.

7 The results of the model have been omitted because of space concerns. We recognize that this is a *somewhat* unorthodox way to test for selection effects because our primary model uses a hierarchical approach, and our two-stage model uses error clustering. However, since the cross-level model and clustered error models that take project type into account yield similar coefficients, we feel that this is an appropriate approach.

Figure 1 helps to illustrate this relationship. The  $y$ -axis is the timeliness of implementation, where zero indicates an on-time project. Negative values indicate days late, whereas positive values indicate early implementation. As the solid line in figure 1 indicates, in a council manager system, as the mayor's involvement in the grant process increases, project timeliness steadily diminishes. As such, the dotted line in figure 1 shows that in a mayor-council system, as the mayor's involvement in the grant process increases, the timeliness of performance improves. In other words, the mayor's power to pressure the local bureaucracy and communicate unadulterated political preferences is only evident in council manager cities.

Each increment of city council involvement reported in the grant application process increases the time to implementation by about 15 days. For each increment of city council support of city energy conservation and sustainability efforts, the number of days to begin implementation is estimated to decrease by 18 days.

## DISCUSSION

These results underscore the importance of local circumstances in the intergovernmental grant process and suggest that political influence and the institutional structures within which this influence occurs matter. The administrative components and actors of local governments are commonly associated with the development of intergovernmental grants, particularly block grants. However, the empirical results reported here point to the salience of political and administrative actors. Local elected officials not only play a central role in grant application but also their involvements have a significant impact on implementation success.

We also demonstrate how governance institutions matter. An elected executive, such as a mayor, can signal his or her preferences and reduce uncertainty for bureaucratic actors via their involvement in the application and can exert more manageable and focused input than can a multitude of city council members. Nevertheless, mayoral power is diminished in council manager government because there is an independent chief executive with whom administrative authority is shared. Consistent with the vision of the architects of council manager government, the mayor becomes one of many political principals who are communicating their political preferences to administrators (Stillman 1974; Svara 1990). In mayor-council governments, mayoral involvement in the grant application process reduces delay.

The legislative design of city councils is distinct because there are multiple principals in a single political institution. Therefore, the desires that principals have and how their preferences are implemented are diverse. Administrators can play city council members against one another in order to deflect political pressure that might otherwise force more prompt implementation. Or, by virtue of council member involvement in the grant application process, administrators may have difficulty deciphering the implementation preferences of multiple city council members. In either case, the nature of city council member involvement can pose barriers to timely implementation.

The strong impact that collective council support of energy efficiency and conservation has also helped explain this relationship. Overall perceived support from the council makes political preferences known without pressuring administrators with divergent or parochial instructions regarding how these policy preferences should be

carried out. Thus, the adverse implementation consequences of political involvements in the grant application process can be largely a consequence of institutional design of local legislative institutions.

The results reported for capacity are counterintuitive at first glance: lack of staff capacity should be associated with increased, not decreased, implementation delay. However, municipalities are knowledgeable about their limitations and the feasibility of implementing complicated or labor intensive energy projects. They self-select into project types where less staff capacity is necessary, and, therefore, a lack of staff capacity does not result in implementation delay. Additionally, the fact that lack of staffing capacity as it relates to a city's ability to reduce energy consumption is statistically significant, and other forms of capacity are not, may suggest that DOE's support and administrative guidance have mitigated problems associated with other forms of incapacity. Throughout the application and implementation processes, DOE provides municipal EECBG recipients with a number of training and technical support opportunities to help with the substantive issues associated with applying for and implementing energy efficiency and conservation projects (DOE 2010; GAO 2011). They do not, however, provide additional local staff members who could utilize these resources. Furthermore, direct EECBG administrative costs—independent of those born by subcontractors—are still limited to 10% of grant funds (GAO 2011). In short, municipalities may receive the information and training resources from DOE but may not have the staff resources to properly implement. Applying for projects that require less staff capacity is one mechanism to compensate for this.

## CONCLUSION

The findings reported here shed light on some of the newest challenges to federalism. American federalism has recently been described as “a fend for yourself and activist form of bottom-up federalism” (Gamkar and Pickerill 2012). This has been characterized in two primary ways: (1) the burdens that local governments face in “addressing fiscal and social issues without federal assistance” and (2) local government refusal of federal dollars in an effort to protest the federal policies. The implementation problems uncovered here suggest another way to understand contemporary federalism. Even with federal assistance, the variations in local administrative capacities and political commitment and leadership reveal an even more prevalent form of go-it-alone or fend-for-yourself federalism (Gamkhar and Pickerill 2012). Through the intergovernmental grant process, state and local governments increasingly receive federal dollars for projects in new policy areas. At the same time, they are experiencing budgetary shortfalls and significant fiscal uncertainty at the state and local levels. The culmination of these two trends has produced gaps in the capacity for many grantee governments that are magnified by grant restrictions such as limits on the percentage of administrative costs that can be spent from federal grant dollars and similar rules (GAO 2012). Regardless of the fact that these governments are receiving block grants, they are still very much on their own in implementation and development.

These insights have implications for understanding the role of local political support and intervention for program implementation. Future work can extend and strengthen these contributions in several ways. We use a single program—EECBG—to

explicate the theory here. This program is a single infusion of funds ([Kassekert et al. 2012](#)). The results may be different when federal funds are regularly allocated, thus transforming a one-shot game into a repeat play game. Other programs in this area include reoccurring DOE funding that is regularly allocated to State Energy Offices, the Weatherization Assistance Program, or the newly-minted Medicaid benefit programs under the Affordable Care Act. We also examine only one type of federal policy outcome: the timeliness of implementation. This approach is justified here because this criteria defined a core policy outcome of ARRA, but other outcomes are also important. In the future, it will become important to examine multiple policy outcomes such as job creation or energy cost/consumption savings that occur as a result of the EECBG program.

Important questions remain to be answered. However, the results reported here suggest a more nuanced approach to understanding outcomes in American federalism. Although many have acknowledged that the individual characteristics of grantee governments influence implementation success, only recently have scholars begun to systematically investigate these characteristics. This study provides a starting point for understanding the unique administrative and political factors that influence the successful implementation of federal policy at the local level.

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## APPENDIX 1

### EECBG PROJECT BLOCK GRANT CATEGORY DESCRIPTIVES

	Number of Projects	Average Number of Days Late	95% Confidence Interval
Energy efficiency and conservation strategy	97 (9%)	21	6 to 37
Technical consultant services	86 (8.3%)	37	21 to 53
Residential and commercial buildings energy audits	49 (4.7%)	44	16 to 72
Financial incentive programs	53 (5.1%)	24	−6 to 54
Energy efficiency retrofits	312 (30.1%)	73	57 to 89
Buildings and facilities	122 (11.8%)	34	16 to 52
Transportation programs	101 (9.7%)	36	14 to 58
Codes and inspections	18 (1.7%)	46	−3 to 94
Energy distribution	4 (.4%)	71	−75 to 216
Material conservation programs	24 (2.3)	44	9 to 79
Reduction/capture of methane/ greenhouse gases	6 (.6%)	27	−41 to 94
Lighting	108 (10.4%)	68	42 to 93
Renewable energy technologies	53 (5.1%)	57	24 to 90
Other	5 (0.5%)	8	−14 to 31
Totals	<i>n</i> = 1038	51	43 to 57

APPENDIX 2  
IMPLEMENTATION TIMING CALCULATIONS<sup>a</sup>

Step 1	Days of delay for project i of project type j: expected project date – actual project date = $x_{ij}$
Step 2	Average number of days of delay for project type j: $\sum_{j=1}^n x_{ij} \left( \frac{1}{n} \right) = x_j$
Step 3	The deviation in days of delay for project i of project type j from the average number of days of delay for project type j: $x_{ij} - x_j = l_{ij}$

<sup>a</sup>Some projects were implemented earlier. Positive numbers indicate delays in implementation. Negative numbers indicate early implementation. Zero values indicate on-time implementation.

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