

Why It Matters Whether State Bureaucrats as Opposed to Federal Bureaucrats Administer Federal Programs

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Writing legislation is but the first step in creating public policy. It is through the implementation of policy that legislation is given substance and meaning (Goggin et al. 1990). Most policy implementation in the United States takes place in an intergovernmental context. Because the federal government delegates authority to state elected institutions and street-level bureaucracies, the implementation process provides an opportunity for state governments to exert their influence over public policy by acting strategically (Bardach 1980; Derthick 1972; Stoker 1991). In fact, the structure of intergovernmental programs allows states to manipulate policy to increase benefits for state government (Beamer 1999). State governments manipulate federal programs either through having power to write legislation that carries out federal intent or by controlling the administration of federal programs (Keiser 2001).

Although some empirical research exists that examines how state governments can influence implementation through their legislative powers (see Beamer 1999; and Hill and Weissert 1995), little research has examined whether state governments use their administrative powers to manipulate intergovernmental programs for state advantage. In earlier research, I analyzed the implementation of two federal disability programs to see whether or not state governments use their administrative powers strategically. I found that state street-level bureaucracies implement policy in a way that reflects state government interests; variation in incentives

to grant high awards to Supplemental Security Income (SSI) applicants helps to explain variation in eligibility awards across the fifty states. These incentives pertain to the gains and losses that state governments incur through high participation in the SSI program (Keiser 2001). In this essay, I extend this earlier research to explore how the historical relationship between agencies and their state political principals affects the ability of state governments to engage in vertical transfer and how incentives to transfer the needy from other state-sponsored programs to SSI affects eligibility decisions.

State Governments and Policy Implementation

Principal-agent theory suggests that the federal system can be understood as a multitiered hierarchy of principal-agent relationships (Chubb 1985). In one tier, federal elected institutions act as principals and federal agencies act as agents. In the second tier, federal agencies act as principals and state governments act as agents (Chubb 1985). The majority of the research stemming from the principal-agent framework focuses on the relationships in the first tier and to a lesser degree the second. A third tier exists, however, between state elected institutions and state street-level bureaucracies because the federal government often gives state governments administrative powers. Street-level bureaucracies serve as agents simultaneously with federal elected institutions (Congress and the president), federal agencies, and state government elected institutions (governors and state legislatures).¹ Although principal-agent research has neglected the relationship between state elected institutions and street-level bureaucracies (for an exception, see Wood 1992), the bottom-up approach to policy implementation stresses the importance of state governments in the implementation process. According to the bottom-up approach to implementation, public policy is actually formulated during the implementation stage as unresolved conflicts are worked out in administrative agencies (Brodkin 1987; Lowi 1969; Majone and Wildavsky 1984). Since most public policy is carried out at the state and local levels, the implementation stage of the policy process provides an opportunity for state and local policy actors to insert their interests into the process (Bardach 1980; Stoker 1991). The federal government delegates to the states both legislative (the ability to affect the design of programs) and administrative (the ability to apply rules) power to state governments.

Members of state elected institutions have a direct interest in how fed-

eral policy is implemented in their states because federal policy has an impact on citizens, businesses, and interest groups in state policy environments. Elected officials can take credit for benefits the government provides to citizens. This gives elected officials an electoral incentive to encourage policy implementation that benefits constituents (Mayhew 1974). The interests of elected officials are embedded in the constitutional principle of federalism. Federalism requires that state and local interests are represented in the policymaking process (Berman 1980; Stoker 1991).

In many policy areas, the federal government mandates that state public agencies carry out federal programs. Although this gives power directly to state agencies, it also gives power to state elected officials. State elected institutions have multiple tools that allow them to shape how street-level bureaucracies use their discretion (Wood 1992). State elected leaders design state agencies' administrative structure, control political bureaucratic appointments, influence hiring practices, and provide funding for state agencies. Since these tools have been effective in controlling the bureaucracy at the federal level (Wood and Waterman 1994), it seems likely that they will be effective at the state level.

Many implementation studies recognize the role that state elected institutions play. Research has revealed that states use their legislative power in the implementation process for their own advantage. Hill and Weissert (1995) find that state governments have an incentive to delay policy implementation, and do so, because the state can wait for more favorable winning coalitions to come to power at the federal level. Chubb (1985) finds that the federal government must adopt monitoring devices or else the states will use federal grant money to further state priorities rather than federal ones. Beamer (1999) finds that state legislators use their legislative powers to influence federal programs in creative ways to benefit their states. Although these studies recognize the importance of the state government in policy implementation, they do not specifically focus on whether state governments benefit from their administrative, as opposed to legislative, powers.

We should expect that states will be able to benefit from their administrative powers because state elected institutions serve as the political principals to state bureaucracies (Keiser 2001). Empirical research provides some support for this contention. The partisanship of state legislatures and governors affects how street-level agencies implement a variety

of federal policies (Hedge and Scicchitano 1994; Keiser and Soss 1998; Scholz and Wei 1986; Scholz, Twombly, and Headrick 1991; Wood and Waterman 1994; Wood 1992). This link between the partisanship of state elected officials and the behavior of bureaucracies suggests that federalism creates opportunities for the bureaucracy to serve a representative function for local interests (Scholz, Twombly, and Headrick 1991).

Although this research on partisanship and bureaucratic outputs suggests that state elected institutions influence state bureaucracies, it does not reveal whether elected state actors are able to use their administrative powers to exert their own institutional interests in policymaking. This body of research does reveal that some sort of democratic influence takes place during the implementation process. However, the link between partisanship and bureaucratic outputs may be due to the simultaneous impact of interest groups on elected officials and street-level bureaucrats. Similarly, street-level bureaucrats may share political ideology of elected officials because they all spend their daily lives in the same political environment (Scholz, Twombly, and Headrick 1991).

Other research suggests that the state government will not benefit from its ability to control administration. The power that state elected institutions have over state bureaucracies is not complete. Not only do street-level bureaucracies serve as agents to principals in state elected institutions but they also are influenced by principals in the federal government (Anton 1989; Scholz and Wei 1986; Wood 1992). Furthermore, bureaucracies have their own sources of power arising from clientele groups, agency expertise, information asymmetry, standard operating procedures, and leadership (Kaufman 1960; Krause 1996a; Meier 1993a; Rourke 1984; Ringquist 1995).² In recent research, I find that state-run street-level bureaucracies' policy outputs reflect the needs of the state, suggesting that state governments are able to use their administrative powers to insert their interests into the process (Keiser 2001).

The Policy Interests of State Government in the Implementation of Federal Programs

Although state governments have various interests that depend on the particular policy needs of the state, in general state governments are concerned with minimizing taxes while expanding or maintaining services (Beamer 1999; Peterson 1981).³ Federalism offers state governments an opportunity to minimize their benefit-tax ratios because states may en-

gage in vertical transfer. State officials can lower their benefit-tax ratios by transferring tax burdens from the state to another level of government. Empirical evidence exists that state elected institutions engage in vertical transfer during the legislative process (Beamer 1999). We should expect state elected institutions to use their administrative power in the same way. In other words, state elected actors should seek to influence street-level bureaucrats to engage in vertical transfer and shift the costs of providing benefits to the federal government. The vertical transfer hypothesis argues that states will manipulate intergovernmental programs to reduce their benefit-tax ratios.

All states have the incentive to shift costs to the federal government by manipulating eligibility for social welfare programs. However, influencing bureaucratic organizations is not cost free. States must invest resources into making street-level bureaucracies responsive to state needs. The likelihood of a state using its resources to engage in vertical transfer depends on the pressure state governments feel to raise benefit-tax ratios (Beamer 1999). Research shows that street-level bureaucracies respond to the incentives to engage in vertical transfer in the Supplemental Security Income Program (Keiser 2001).

Supplemental Security Income and the Incentive to Engage in Vertical Transfer

In 1972, Congress created the Supplemental Security Income Program to aid the low-income disabled. In order to qualify for SSI, potential clients must be assessed as unable to work in the same range of jobs as nondisabled people given their age, education, and work experience and meet a means test (Roth 1987). The SSI is a federal program with the federal government setting the medical and income eligibility criteria.⁴ Although the federal government provides funding to ensure that all recipients receive the minimum benefit, state governments have the option of supplementing the benefit for their residents. Eligibility for SSI also coincides with eligibility for Medicaid, a health insurance program for the poor in which the federal and state governments share costs (U.S. Social Security Administration 2002).

Despite the large role of the federal government in determining rules and providing funding for the SSI program, state governments have been successful throughout the history of the program in institutionalizing a mechanism for state influence, as principal-agent theory would lead us to

expect (Keiser 2001).⁵ Despite the dominance of the federal government in funding and setting eligibility requirements (Dolgoff, Feldstein, and Skolnik 1993), the bureaucrats making initial eligibility decisions for the SSI program work in state offices of rehabilitation (referred to as Disability Determination Services or DDS). For a variety of reasons, the federal government has been reluctant to take full responsibility for the eligibility determination process despite the domination of federal financing. (Berkowitz 1987).⁶

The federal government does limit state influence by structuring the program so that federal agencies can monitor and alter the decisions of state disability examiners. Claimants who have been denied can appeal to administrative law judges (ALJs), who work for the federal government. If claimants are still dissatisfied, they can take their cases to the Appeals Council, a centralized administrative office that reviews ALJ decisions. Finally, claimants have appeal rights to federal district court. The Social Security Administration implements a quality assurance program through which federal bureaucrats track the accuracy rate and processing times of the DDS offices by processing a sample of cases (Lewin Group 2001).

Although the federal government tries to control the behavior of disability determiners by creating binding rules, it has difficulty because the people who apply them work for the state (Berkowitz 1987). Caseworkers in DDS seem well aware of the implications of state control of DDS offices. According to a state director of one DDS office, for example, “he would probably be discharged if he follow[ed] a strict interpretation of SSA guidelines” (GAO 1978, cited in Berkowitz 1987, 2). This sentiment has been echoed by disability examiners. In an interview with a representative from the General Accounting Office (GAO), an employee of a DDS office said, “We are state employees; therefore, we don’t have to pay attention to what the SSA regional office . . . or any other federal agency says” (GAO 1978, 7–8, cited in Berkowitz 1987, 82).⁷

State governments have aggressively protected their autonomy over the administration of the program. In the late 1970s, the U.S. Department of Health, Education and Welfare (HEW, now Health and Human Services) requested that the state sign a new contractual agreement giving the federal government more supervisory power over disability examiners. It provided the secretary of HEW with the authority to set educational standards for disability examiners and the right to access state agency premises (Berkowitz 1987). Many states simply refused to sign the contract. The

state of Wisconsin went so far as to threaten to terminate its contractual agreement with the federal government and stop making disability determinations (Berkowitz 1987). Rather than confront the states, the federal government backed down and allowed states to continue the administration of the program under the existing rules.

Although the federal government has delegated administrative power to the states, state governments' power to control the program is limited. The federal government has retained all legislative power to determine eligibility in the SSI programs. State legislators cannot influence the number of citizens who gain access to the program by writing legislation.

In order for state elected institutions to use their administrative power, street-level bureaucrats must have discretion in how they implement federal rules and requirements. Discretion exists in the SSI program. High levels of discretion exist in the program because the concept of disability resists precise definition and measurement (Berkowitz 1987; Derthick 1990; Mashaw 1983). Furthermore, determining whether a claimant can work given his or her age, education, and work history has high levels of subjectivity (Stone 1984).

Because of the discretionary aspects of the disability decision, federal policymakers have expressed concern over the role of the states in determining eligibility (Stone 1984). The head of the Social Security Administration from 1936 to 1953, Arthur Altmeyer, stated that "if the determination of disability is left to several different disability boards, the likelihood is that their decision will lack uniformity" (1942, cited in Berkowitz 1987, 81). This concern proved valid. Variation exists in disability determination among the states and within the same state from year to year. In 1993, for example, Louisiana turned down 68 percent of the applications for SSI while Utah rejected only 38 percent.⁸

The SSI program provides incentives for state governments to engage in vertical transfer. This incentive varies, however, across the states. All states have the incentive to shift costs to the federal government by manipulating eligibility for social welfare programs so as to transfer as many people as possible to programs in which the state governments incur the least costs. High SSI participation decreases the need to raise taxes or reduce spending because it reduces pressure on other programs for which state governments incur high costs (e.g., Temporary Aid to Needy Families [TANF], formerly Aid to Families with Dependent Children [AFDC]; see Keiser 2001). It also reduces pressure on the state

to provide for a needy population. However, influencing bureaucratic organizations is not cost free. States must invest resources in making street-level bureaucracies responsive to state needs. The likelihood of a state using its resources to engage in vertical transfer depends on the pressure state governments feel to raise benefit-tax ratios (Beamer 1999).

Beamer (1999) finds that states are most likely to engage in vertical transfer when state governments enter a crisis and elected institutions are faced with the choice of raising taxes or reducing services. States that are fiscally stressed should be more likely to use scarce resources to influence bureaucratic decision making since they face the highest pressure to raise taxes or reduce spending. As expected from this hypothesis, states that feel fiscally stressed have higher award rates in SSI (Keiser 2001). Fiscal health was measured by state revenues minus state expenditures as a percentage of total state expenditures.⁹ This variable is lagged one year and multiplied by -1 so that high values indicate high fiscal stress (see appendix A at the end of this essay for sources).

State governments should also vary in their incentive to engage in vertical transfer because of variations in their program costs associated with SSL. Some state governments lose in terms of their benefit-tax ratios from high SSI participation because some state governments voluntarily contribute to the SSI benefit (Keiser 2001). Although states governments are not required to contribute to the funding of SSI, the majority of states do provide some sort of supplement to SSI beneficiaries. States vary in the amount of the supplement and the terms of eligibility. The SSI supplement creates variation in the incentives for states to reduce access to the program. Disability determination offices in states that spend more money on the supplement have lower award rates in SSI than states that spend less, all else being equal (Keiser 2001). The impact of the SSI supplement is even greater when a state has a high supplement and is experiencing fiscal stress. States that spend a larger share of their budgets on the SSI supplement and are experiencing fiscal stress (measured by an interaction term between fiscal stress and the SSI supplement) have lower award rates than other states, all else being equal (Keiser 2001). The percentage of state expenditures on the SSI supplement was lagged one year (see appendix A for sources). Lagging the SSI supplement by one year alleviates the specification problem that occurs due to the simultaneous relationship between the SSI award rate and spending on the supplement. Lagged endogenous variables can be considered predetermined variables

as long as there is no serial correlation in the model (Pindyck and Rubinfeld 1991, 289).

In addition to the state supplement, state government budgets are influenced by the size of the SSI population due to the connection between SSI and Medicaid. All recipients of SSI are automatically eligible for Medicaid, a program in which state governments incur high costs. In the 1980s and 1990s, the Medicaid program created concern among state governments due to its exploding costs. High medical inflation and increased federal mandates for broader enrollments have led to an enormous growth in costs (U.S. Advisory Commission 1992). Although the federal government shares the cost of the Medicaid program, financial responsibility for it has led to fiscal crises in many states. State governments have been forced to either cut nonhealth expenditures or raise taxes in response to the increased costs of Medicaid (Beamer 1999). In-depth interviews with state legislators across eleven states reveal that representatives believe that Medicaid has been the federal mandate that had imposed the highest costs on states (Beamer 1999). For example, a representative from Colorado states that "Medicaid has been driving the state budget for the last seven or eight years." (quoted in Beamer 1999, 128). States have attempted to use their legislative power to vertically transfer costs to the federal government. In Tennessee, for example, the state government created a hospital tax for Medicaid services, thereby increasing the federal matching grant without increasing state spending (Beamer 1999). Following this line of reasoning we should lead to lower award rates for SSI because eligibility coincides with eligibility for Medicaid (Patel and Rushefsky 1995). In fact, increased enrollment in SSI would increase the pressure to raise benefit-tax ratios because it increases Medicaid enrollment. As expected, high Medicaid spending leads to lower award rates in the SSI program, all else being equal (Keiser 2001). To measure Medicaid stress, the percentage of state expenditures on Medicaid, lagged one year, is included in the model (see appendix A for sources and measures).¹⁰ Medicaid is lagged by one year to alleviate the specification problem that occurs due to the simultaneous relationship between Medicaid and SSI (see Pindyck and Rubinfeld 1991, 289).

In short, past research supports the contention that street-level decisions reflect state interests even when state governments only have administrative, not legislative, power. State governments that lose the most from high SSI participation, for example, states with high SSI

supplements and high Medicaid costs, have lower SSI award rates at the DDS level (Keiser 2001). Although past research has shown that DDS decisions reflect state interests to lower SSI award rates when Medicaid spending is high and states provide a substantial SSI supplement, the incentives to engage in vertical transfer created by high demand on state-funded programs not administratively connected to the SSI program were not examined. State governments should be more likely to use their resources to influence administration to engage in vertical transfer when facing high demand on state-funded programs. The AFDC program (now TANF) is one in which state governments incur higher costs than they do for SSI.

The structure of the U.S. welfare system suggests that different welfare programs serve objectively distinct groups because different bureaucratic agencies administer them, street-level personnel apply different eligibility standards, and the programs provide qualitatively different benefits (Schneider and Ingram 1997; Stone 1984). Significant overlap exists, however, in potential applicants to both AFDC (now TANF) and SSI (Soss and Keiser 2001). Many people living in poverty do not fit the neat definitions for eligibility in each social welfare program, and it is up to street-level bureaucracies to take applicants and transform them into clients by identifying and highlighting particular characteristics that make them eligible for particular programs (Prottas 1979). Some AFDC clients may be eligible for SSI. Since both programs are means tested, poor citizens who meet the income requirements for AFDC will also meet the income requirements for SSI because SSI has higher income limits (Dolgoft, Feldstein, and Skolnik 1993). Some AFDC clients have physical and mental conditions that may qualify them for SSI. Recent studies suggest that many AFDC clients have disabilities (Loprest and Acs 1995; Danziger, Kalil, and Anderson 2000; Tolman and Raphael 2000).

All state governments have an incentive to have as many people as possible qualify for SSI so that they do not fall back on AFDC. Because it requires resources to influence administration, however, states should vary in their ability to respond to pressure on their AFDC programs. States with high AFDC caseloads should feel more pressure to increase SSI award rates in order to reduce that pressure. To control for this, the number of AFDC recipients per population is included in the model (see appendix A for sources). State elected officials should be more likely

to attempt to directly influence DDS offices when they are faced with high AFDC caseloads.

In sum, the vertical transfer hypothesis states that variation in SSI award rates should be explained by variation in the incentive for states to engage in vertical transfer and that states with high Medicaid costs and SSI supplements will have lower incentives (Keiser 2001) whereas states with high AFDC caseloads and high fiscal stress will have higher incentives. A response to these incentives suggests that state governments can use their administrative power to insert their interests into the policy-making process.

However, a limitation exists in our ability to test whether or not state elected officials influence administrations to insert state government interests into the implementation process. The rejection of the null hypothesis only suggests that state governments use their administrative powers to insert their interests into the implementation process by engaging in vertical transfer. We cannot discern whether responsiveness occurs because street-level bureaucrats have as their own preferences the interests of the state, because elected officials pressure street-level bureaucrats to use their discretion in such a way, or because some other mechanism exists. To date, no data exist on the independent preferences of street-level bureaucrats. The findings reported in Keiser 2001 reveal whether street-level bureaucracies use their discretion to benefit the state. The findings do not, however, reveal anything about why they do so. Adding a measure of demand on AFDC does not ameliorate this problem.

If state officials directly influence DDS offices, the strength of the relationship between state officials and DDS offices should help to explain variations in award rates. Not all state elected officials will have relationships with DDS offices that allow them to influence bureaucrats behavior. Variation in vertical transfer in the SSI program should be related to the ability of state elected officials to influence program administration. Government officials in some states may have closer ties to DDS offices than in others. Personal interaction between state officials and street-level bureaucrats makes it more likely that street-level bureaucrats will reflect state government values (Hedge, Menzel, and Krause 1989). The strength of the linkage between elected officials and DDS offices should determine whether state elected officials successfully act as political principals to DDS offices. In order for elected officials to influence

street-level bureaucrats, they first have to interact with them. This interaction may lead to greater policy congruence between the two, but it does not necessarily need to in order for bureaucrats to respond because state officials can affect DDS working conditions. Insofar as bureaucrats are budget maximizers (Niskanen 1971), DDS office workers should be open to direct influence from state officials because state governments control administrative decisions such as hiring practices, size of work force, pay scales, vacation policy, office location, and the condition of office space and equipment. In a few states, the DDS director is a political appointee. Unfortunately, no quantitative data exist on the levels of interaction between DDS offices and state elected officials.

To create a proxy measure of interaction between state elected officials and DDS offices, an examination of the historical record is needed to create a variable that measures the amount of interaction. The controversy over the use of continuing disability reviews in the Social Security Disability Program provides a way to quantify, albeit roughly, the DDS and state official relationship. In 1980, Congress required the Social Security Administration to conduct continuing reviews of disability recipients (Public Law 96-265). The secretary of health and human services ordered DDS offices to determine whether or not current recipients met the medical requirements for the program regardless of whether their condition had changed since the time the agency awarded them benefits. Many people lost their benefits as a result of these continuing disability reviews, and many appealed to federal court and/or complained to Congress (Derthick 1990; Mezey 1986). Although the federal courts overturned most of these cases and eventually ruled that the Social Security Administration had to show that a recipient's medical condition had improved since the initial determination granting them benefits, the administration initially refused to apply these court cases beyond the litigant's claim (Mezey 1986). In response to this situation, many state elected officials (mostly governors) intervened and ordered DDS offices in their states to either place a moratorium on continuing disability reviews or find that a claimant's condition improved before terminating benefits. State DDS offices followed the orders of state officials (U.S. Congress 1984).

States in which such an interaction took place during the early 1980s should be more likely to have close relationships between state elected officials and DDS currently. A dummy variable valued at one for states

in which a state elected official intervened in DDS processing of the continual disability reviews and valued at zero for states in which no intervention occurred is used as a proxy for the amount of interaction between state elected officials and DDS offices. DDS offices under the Ninth Circuit Court were ordered by the court to use a medical improvement standard. Because it is impossible to tell whether these states changed their behavior for the continuing disability reviews due to pressure from state elected officials or the court, states under specific court orders were removed from the analysis (see appendix A for sources).

As a proxy, this variable is not without limitations and is a blunt instrument used to capture the likelihood that state elected officials will intervene with DDS offices. The actions of state elected officials during the 1980s crises may be more a result of the politics of the state elected officials than of the linkages between state officials and DDS offices, and linkages in the past might not translate into linkages today. However, insofar as the interventions of the 1980s set a precedent for state involvement in the disability determination process and helped to create the understanding in DDS offices that DDS examiners are ultimately responsible to the state, states where elected officials have been involved in the past should be more open to state-level influence today. Although all states have the incentive to push as many people as possible onto the SSI program, states with historical linkages between elected officials and DDS offices should be more likely to be successful in their efforts to engage in vertical transfer and therefore should have higher SSI award rates.¹¹

In sum, all states have a general interest in having high award rates that are as high as possible in SSI because SSI provides benefits to state citizens at low costs to state governments relative to other antipoverty programs. However, influencing program administration takes resources, and we should expect states that have the highest incentives to engage in vertical transfer will do so at a higher rate than other states do. State governments vary in how much they benefit from high SSI participation. We should expect that states with lower incentives will have lower allowance rates (states with high SSI supplements and Medicaid costs) and states with high incentives (states with high fiscal stress and large AFDC case-loads) will have higher award rates. In addition to variation in incentives to engage in vertical transfer, state officials should also vary in their ability to affect administration. States with a link between DDS offices and state officials (measured by a history of gubernatorial intervention in

DDS policy) should have higher award rates than other states, all else being equal.

Control Variables

We must control for other variables that should affect SSI award rates in order to test the preceding hypotheses. Several control variables were used in this study (for a more detailed discussion of each, see Keiser 2001). The political environment affects how street-level bureaucracies implement policy, and the partisanship of state elected institutions is an important part of that environment (see Wood and Waterman 1994). Social Security disability is fairly partisan (Berkowitz 1987; Stone 1984). Ever since its inception, Democrats have been more supportive of the program, while Republicans have been more concerned with reducing the rolls and federal involvement. Past research indicates that more Social Security disability recipients live in states controlled by Democrats than in states controlled by Republicans (Keiser 1999). We should expect this relationship to be even stronger for eligibility decisions by street-level bureaucrats. To control for political pressure, a dummy variable was created. All states with a Democratic governor were coded one and all states with a Republican or independent governor were coded zero (see appendix A for sources).¹²

In addition to the partisanship of the governor, street-level bureaucracies may also be influenced by the overall political culture in the state. The behavior of street-level bureaucracies is influenced by how much legitimacy their functions have among people outside the bureaucracy (Thompson 1967). This is especially important in human services bureaucracies, like DDS, because the bureaucracy places values on citizens by labeling clients as deserving or undeserving of government assistance (Hasenfeld 1992). Due to variations in historical immigration and migration patterns, the states vary in the level of legitimacy members of political institutions, and the public in general, hold for government assistance to aid the needy. Elazar (1984) argues that historical migration and immigration patterns created some state political cultures that are more conducive to an active government presence and social welfare policies than other state political cultures. He identified states with this culture as moralistic. State political culture should influence how bureaucracies implement policy in two ways. First, it will affect the culture of administrative organizations in the state. Historical immigration and migration patterns pro-

vide the context in which state administrative organizations were created. The creation period of an administrative organization is very important in determining the culture, and more specifically the mission, of bureaucracies (Wilson 1989). This culture is perpetuated across time through standard operating procedures and socialization of members (Simon 1957). In addition to influencing bureaucratic culture, state political culture will have a contemporary influence on bureaucratic behavior by influencing the legitimacy of the bureaucracy's task. Bureaucracies that have high award rates in the SSI program will have more legitimacy in moralistic states than in nonmoralistic ones. Administrative organizations created in the context of a moralistic political culture award disability benefits at a higher rate than administrative organizations developed in a nonmoralistic culture (Keiser 2001). To control for political culture, a dummy variable coded one for states with a moralistic culture and zero otherwise was included in the model (see appendix A for sources and measures).

In addition to the political environment, implementation should be influenced by the task environment. The nature of the bureaucracy's task plays a role in influencing bureaucratic behavior (Wilson 1989). The task environment refers to the materials with which the bureaucracy works (Thompson 1967). For human service bureaucracies, the bureaucracy's caseload is a major part of its task environment. Characteristics of the bureaucracy's caseload should therefore explain variation in award rates. If street-level bureaucrats follow their official mandates, higher levels of disability in each state should translate into higher award rates. To measure the level of disability, several variables that measure health and injury risk for residents were included in the model. These are the percentage of jobs found in the manufacturing sector, the percentage of the state population between the ages of fifty-four and sixty-five, and the AIDS rate. Past research demonstrates that these variables coincide with the medical need for benefits (Rice and Feldman 1983; U.S. Department of Labor 1991).¹³

In addition to medical need, award rates should be related to economic need. When unemployment is high, more citizens with marginal medical conditions apply than do so during times of economic prosperity because people with medical problems have an easier time finding work under conditions of low unemployment (Soss and Keiser 1999). To control for unemployment, the civilian labor force participation rate was included.¹⁴

In addition to levels of need, prior research on Social Security disability has revealed that race is an important variable for understanding award rates. Although minorities tend to have more health problems and less access to health care than whites (Patel and Rushefsky 1995, 121–25), at the individual level DDS examiners deny benefits to black applicants at a higher rate than white applicants in the SSI program because blacks apply for benefits with less severe disabilities and at younger ages than do whites (GAO 1992). This pattern holds at the aggregate level (Keiser 2001). To control for the impact of race, the percentage of the state population that is African-American is included in the model (see appendix A for sources and measures).¹⁵

In addition to measures of medical and economic need, street-level bureaucracies should also respond to levels of demand. Organizations respond to and try to influence the level of demand for their resources (Thompson 1967). The reaction to levels of demand by street-level bureaucracies is mitigated, however, by the resources of the agency. Bureaucracies with resource shortages should actually limit access to programs when faced with high demand to conserve resources (Lipsky 1980). Although DDS offices do not face resource shortages in terms of how many benefits they can provide, they do have resource shortages in terms of processing cases (Mashaw 1983). Many claimants are denied disability because DDS examiners make decisions on cases prior to collecting all the relevant information. Examiners can request additional information from the claimant or collect additional information themselves but are unlikely to do so when faced with large numbers of caseloads (Mashaw 1983). State agencies with large numbers of caseloads have lower award rates than state agencies with fewer caseloads in the SSI program. To measure demand, the number of applications per ten thousand residents is included in the model (see appendix A for sources).

Research Methods

The hypotheses were tested using pooled cross-sectional analysis of award rates in the thirty-eight states for the years 1991 to 1993.¹⁶ The percentage of SSI applications that DDS offices awarded serves as the dependent variable. Dummy variables for the years 1991 and 1992 were included to reduce potential problems with autocorrelation. The analysis is based on an ordinary least squares (OLS) regression model. Three-stage least squares were performed on the model to test for any reciprocal re-

relationships between the SSI supplement and SSI award rates and Medicaid and SSI award rates.¹⁷

Findings

Similar to earlier research (Keiser 2001), the findings show that state DDS offices are responsive to the benefits or losses that state governments incur through participation in the SSI program. States that incur higher financial costs through the Medicaid program and the SSI supplement reduce access to the SSI program. Disability determination offices in states with higher SSI supplements provide less access to the SSI program than do DDS offices in states with lower SSI supplements. Similarly, DDS offices in states with high Medicaid costs provide less access to SSI than do those in other states¹⁸ The results of the three-stage least squares model do not lead to different inferences regarding the direction of the causal relationship between the SSI award rate and the SSI supplement as well as between the SSI award rate and Medicaid spending (see table 1; also see appendix B at the end of this essay for results). In addition to being responsive to the SSI supplement and Medicaid spending, DDS offices in states that are under fiscal stress have higher SSI award rates. These findings suggest that state governments are able to use the implementation process to insert their interests into policy even when they yield administrative but not legislative power (Keiser 2001).

The SSI supplement and Medicaid are both variables that directly relate to SSI access. Because potential clients from different social welfare programs overlap, high demand on the AFDC (now TANF) also creates incentives for state governments to increase access to the SSI program. The findings failed, however, to support the hypothesis that states with high AFDC caseloads will have higher SSI award rates. Caseload size does not have a statistically significant relationship with SSI award rates. State governments do not seem to respond to high AFDC caseloads by providing more access to SSI.

In addition to incentives to engage in vertical transfer, the ability to influence bureaucratic offices should also affect whether street-level bureaucracies respond to state government officials. It was hypothesized that states with evidence of direct intervention by governors would have higher award rates for SSI than other states. This hypothesis was not supported. In states with a history of gubernatorial interventions, DDS offices do not have higher allowance rates than other states.

The lack of a connection between historical linkages between state elected officials and DDS offices and SSI award rates has several different interpretations. First, the lack of support for the hypothesis may be due to the quality of the relationship measure. The proxy measure of intervention between state officials and DDS offices may not capture current relationships. We can only conclude from this finding that historical interventions do not make DDS decisions more reflective of state interests currently. However, it is possible that a more current measure of the relationship will yield significant results. Second, state governments may not directly influence eligibility decisions. Instead, state governments may affect the quality of applications. Anecdotal evidence suggests that many states require intake workers for AFDC to investigate whether

TABLE 1. Award Rates in the Social Security Income Program, 1991–93

Variables	SSI	Standard Error
Constant	70.71**	20.59
Incentives to Engage in Vertical Transfer		
SSI Supplement _{<i>t</i>-1}	-8.35**	3.25
Medicaid Spending _{<i>t</i>-1}	-0.73*	0.43
Fiscal Stress _{<i>t</i>-1}	0.411**	0.15
Fiscal Stress × SSI Supplement _{<i>t</i>-1}	-0.81**	0.30
AFDC Caseload	-0.04	0.05
Ability to Engage in Vertical Transfer		
State–DDS Relationship	0.99	1.03
Political Environment		
Moralistic culture	5.97**	1.56
Democratic governor	-0.23	1.14
Task Environment		
Demand (application rate)	-0.08**	0.04
Employment Rate	-0.14	0.23
Aged population	-3.18**	0.99
AIDS rate	0.20**	0.05
Manufacturing Employment	0.45**	0.10
Black Population	-0.25*	0.09
Adjusted <i>R</i> ²	.61	
<i>F</i> -score	11.93**	
White's test	11.4 _{df=17}	<i>p</i> > .10
Lagrange multiplier	1.68 _{df=1}	<i>p</i> > .10

N = 114, dummy variables not included in table.

* indicates *p* ≥ .10. ** indicates *p* ≥ .05.

claimants may be eligible for SSI and to help them with their applications. Other states and local governments provide funding to organizations that assist with SSI claims in the hope of reducing demand for state and locally funded programs (Kritzer 1998). In the Social Security system, many claims are ultimately overturned by administrative law judges, often because of more complete medical information in the application at the ALJ stage of the process (Cofer 1985). States that provide a lot of assistance with applications at the initial stage could have an impact on SSI award rates at the DDS level by influencing the quality and quantity of information in SSI applications. Unfortunately, no quantifiable data exist on these programs across the U.S. states. The failure of the AFDC caseload to influence SSI allowance rates does not support this explanation, but the likelihood that states have such assistance programs may be due to other factors besides the size of the AFDC caseload. The creation of a better measure of client assistance with SSI claims is needed if we are to explore this possible explanation.

The findings concerning the control variables are all as expected given earlier research. Overall, the findings reveal that DDS offices are responsive to their professional mandates. Their decisions are reflective of the level of medical need that exists in the state as well as measures that relate to the severity of disability in the caseload. The size of the minority population and high application rates should both lead to a higher proportion of less severe claims (Keiser 2001). Not surprisingly, these variables reduce allowance rates. Although DDS decisions do not seem open to the partisanship of the governor, the political culture of the state affects award rates. Disability offices in states with a moralistic culture have a higher SSI award rate than other states do. For a more detailed discussion of the findings for the control variables, see Keiser 2001.

Need for Qualitative Research

Because the statistical analysis failed to meet expectations concerning the state official interaction variable, personal in-depth interviews with DDS directors were conducted in three states to gain a better understanding of the relationship between DDS and the states. The states are not named so to as protect the confidentiality of the interviewees. Directors were asked to describe their interactions with state officials and whether state officials attempted to influence eligibility decisions. The interviews suggest that states vary in how close the DDS offices are to state elected officials.

Of the three DDS directors who were interviewed, two state directors had little interaction with state officials concerning nonpersonnel issues and one state director had a high level of interaction. In these two low-interaction states, the directors communicated that the interactions they had dealt with were hiring decisions and procurement. Neither director felt that state officials cared about eligibility rates. Both directors discussed how they were obligated to follow the federal rules to protect the Social Security System and U.S. taxpayers. They indicated that they gauged the performance of their offices from the Social Security Administration's calculation of their accuracy rates. One director felt it was her duty to protect U.S. taxpayers and was distressed that administrative law judges reversed so many decisions. Both of these state directors were merit employees.

The third director, a political appointee, had a high level of interaction with state officials through attending the governor's town meetings, answering state legislators' inquiries about cases, and testifying before legislative committees regarding disability fraud scandals. However, she claimed that state elected officials did not pay attention to overall allowance rates or try to influence them in any way. Interestingly, she believed that her state's allowance rates were too low and had taken steps to raise them because she did not think it was fair that citizens in her state had less access to the program than did citizens in other states. She believed that examiners in her state did not apply new Social Security regulations that make it easier to allow cases. She tracked whether examiners used all possible rules to allow cases and used this information to evaluate performance. She was less concerned with whether examiners' decisions were sent back due to errors following review in the Social Security's Quality Assurance Program. This director was also concerned about the fraud in the program and the high reversal rate of the ALJs.

Though preliminary, the results of the interviews suggest that interaction between the DDS offices and state officials may affect allowance rates because it may change bureaucratic culture. Disability offices have two constituencies—U.S. taxpayers and state citizens applying for benefits. Although directors in all three states expressed concern with both of these constituencies, the two states with little interaction between elected officials and DDS offices were less focused on providing access to state residents and more focused on meeting the Social Security Administration's

performance standards than was the director in the state with high interaction. Because of the small number of states included, however, these results are only suggestive and may be due to idiosyncratic factors.

Clearly, more interviews are needed if we are to look inside the black box and understand how the links between state elected officials and DDS offices shape eligibility determinations. The statistical analysis suggests that DDS decisions do reflect the needs of the state in the form of the SSI supplement and Medicaid costs. In future research, I will explore three possible mechanisms that may link street-level decisions with state government needs. Assistance with clients' SSI applications, the creation of a bureaucratic culture that focuses on state applicants, and direct intervention in policy by elected officials are all possible mechanisms.

Appendix A

Supplemental Security Income Award Rate, 1991–93. Source: unpublished data from the Social Security Administration.

State–DDS Relationship: dummy variable coded one if the governor or other state official ordered DDS to either suspend continuing disability reviews or use a medical improvement standard in evaluating cases in response to the 1980–85 controversy over continuing disability reviews, zero otherwise. Source: U.S. Congress 1984.

Fiscal Stress: state revenues minus state expenditures as a percentage of total state expenditures multiplied by -1 , lagged one year, 1990–93. This variable was broken down into three categories. Values below one standard deviation of the mean were coded as zero. Values above one standard deviation of the mean were coded as two, and all other values were coded as one. This variable was broken into categories to reduce collinearity between Fiscal Stress and the interaction between Fiscal Stress and the SSI Supplement. Source: *United States Statistical Abstract*, *United States Bureau of the Census*.

Medicaid Spending: percentage of expenditures on Medicaid minus the federal contribution, lagged one year. Source: *United States Statistical Abstract*, *United States Bureau of the Census*.

SSI Supplement: percentage of total state expenditures on the SSI supplement, lagged one year, 1990–92. Source: *U.S. Statistical Abstract*, *United States Bureau of the Census*; and *Statistical Summary of the Social Security Bulletin*.

Interaction effect for fiscal stress and SSI Supplement: state revenues minus state expenditures as a percentage of total state expenditures multiplied by -1 , lagged one year, multiplied by percentage of total state expenditures on the SSI supplement, lagged one year.

AFDC Caseload: number of AFDC recipients per one thousand in population. Source: *United States Statistical Abstract*. *United States Bureau of the Census*.

Partisanship: dummy variable coded one if Democrats controlled the governorship, zero otherwise, 1991–93. Source: *United States Statistical Abstract*, *United States Bureau of the Census*.

Political Culture: dummy variable coded one if the state was identified as moralistic, moralistic-individualistic, or individualistic-moralistic, zero otherwise. Source: Elazar 1984, 135.

Employment Rate: civilian labor force participation, 1991–93. Source: *United States Statistical Abstract*, *United States Bureau of the Census*.

AIDS Cases: number of AIDS cases reported per one hundred thousand in population, 1991–93. Source: United States Centers for Disease Control, <ftp://ftp.cdc.gov/pub/Health_Statistics/NCHS/Datasets/Healthy_People_2000/Health_Status_Indicators/>.

Black Population: percentage of state population that is African American. Source: *United States Statistical Abstract*, *United States Bureau of the Census*.

Manufacturing Employment: percentage of total employment in manufacturing jobs. Source: *Handbook of Labor Statistics*, *United States Dept. of Labor*.

Demand: number of applications per one hundred thousand in population for Social Security Disability Insurance and SSI. Source: unpublished data from the Social Security Administration.

Appendix B

TABLE B1. Three-Stage Least Squares Model for SSI Supplement

Variables	Coefficient	Standard Error
Dependent = SSI Award Rate		
SSI Supplement	-19.83	4.10*
Constant	18.44	21.03
χ^2	29.17*	
Dependent = SSI Supplement _{t-1}		
SSI Award Rate	-0.05	0.01*
Constant	0.93	1.09
χ^2	15.82*	

Note: Coefficients for dummy variables for 1991 and 1992 are not included. Instrumental variables = Dollars spent on public education per population, Manufacturing Employment, SSI application rate, and AFDC Caseload per population.

* $p > .05$.

TABLE B2. Three-Stage Least Squares for Medicaid Spending

Variable	Coefficient	Standard Error
Dependent Variable = SSI Award Rate		
Medicaid Spending _{t-1}	-1.70*	0.27
Constant	23.35	39.45
χ^2	43.58*	
Dependent Variable = Medicaid Spending _{t-1}		
SSI Award Rate	-0.59*	0.11
Constant	13.7	23.23
χ^2	25.03*	

Note: Dummy variables for 1991 and 1992 are not included. Instrumental variables = Total expenditures on nursing homes per capita, Manufacturing Employment, SSI application rate, and AFDC Caseload.

* $p > .05$.

Notes

I would like to thank George Krause and Charles Shipan for their helpful comments. A grant from the University of Missouri Research Board funded this project.

1. The problem of multiple principals becomes even more complicated when we consider that the public is a principal of street-level bureaucrats acting through either federal and state elected officials or direct interactions with street-level bureaucrats.

2. For a similar discussion of the role of state governments in policy implementation, see Keiser 2001.

3. Through the use of case studies of eleven state legislatures, Beamer (1999) found that the collective decisions of state legislatures reflect a desire to minimize constituents' benefit-tax ratios. This relationship held across three different policy areas.

4. Claimants must have an income below \$512 per month to be eligible.

5. Disability examiners in DDS offices also process applications for Social Security Disability Insurance (DI). Although DI and SSI differ in income requirements (DI is a social insurance program whereas SSI is a means tested one), the medical criteria for eligibility in both programs is the same. This essay focuses only on SSI because it provides a better test of the hypotheses. See Keiser 2001, however, for an analysis of DI.

6. Current reformers who wish to centralize the determination process face opposition from policy actors hesitant to increase the size of the federal bureaucracy. Hiring federal bureaucrats as disability examiners would also displace current state employees and may increase the cost of the program because federal pay scales are, for the most part, higher than state pay scales (Berkowitz 1987).

7. These comments pertain to the processing of both DI and SSI claims.

8. For a similar general description of the role of the states in the implementation of SSI, see Keiser 1999.

9. This measure has been used in the policy adoption literature to measure state fiscal health (see Berry and Berry 1990; and Stream 1999).

10. Medicaid stress and fiscal stress are obviously closely related. Because Medicaid stress occurs due to increasing mandates from the federal government, it may provide greater incentives for vertical transfer than simple fiscal stress. In addition, states may feel burdened by Medicaid and therefore engage in vertical transfer even when state revenue has kept pace with state spending. Though related, therefore, the two concepts are different.

11. The ability to engage in vertical transfer should interact with the incentives to do so. Therefore, an interaction term of the SSI supplement and the state government involvement variable was included in an earlier version of the model. Although the variance influence factor fell below ten, the sign of the coefficient measuring state influence changed direction, suggesting that collinearity may be a problem. Although the interaction term was statistically significant, it was in the opposite direction (positive), as predicted by theory. Consequently, it was removed from the analysis.

12. The partisanship of the governorship was used instead of the state legislature because the governor has the most direct power over street-level bureaucracies in the state through the power of appointment. The legislative branch also has power over the bureaucracy, however, because it controls its funding. Including the partisanship of the state legislature did not make any difference in the findings. Consequently, it was excluded from the final model to preserve degrees of freedom.

13. In addition to the variables in the model, the infant mortality rate was included in the analysis to further control for the overall health of the state. This variable failed to reach statistical significance, and removing it did not substantively change the results of the model. Because it was highly collinear with Black Population, it was removed from the final analysis.

14. The unemployment rate is also a measure of economic stress. The unemployment rate is not, however, a pure measure of fiscal stress on the states since street-level bureaucrats may take into account the availability of jobs when using their norms to award disability to the most needy. Consequently, I do not consider the unemployment rate as a measure of fiscal stress.

15. In addition to the size of the African American population, the size of the Hispanic population may have an impact on award rates because Hispanics disproportionately suffer from the problems of poverty and poor health. Including Hispanic population in the measure did not effect the results of the analysis. To preserve degrees of freedom, it was removed from the final analysis.

16. Alaska, Arizona, California, Hawaii, Minnesota, Montana, Nevada, Oregon, Washington, and Wisconsin were removed because they were under federal court order during the continuing disability review controversy and therefore have missing data for the DDS and state official relationship variable. Iowa and Ohio were removed from the analysis because of missing data in the Medicaid variable.

17. Regression diagnostics were performed on both models to assess any problems arising from outliers, multicollinearity, autocorrelation, and heteroskedasticity. Studentized residuals and Cook's D indicated that no observations were distorting the regression line. The Lagrange multiplier test for autocorrelation (Maddala 1992, 120–21) revealed no autocorrelation. The variance inflation factor indicated that the model does not have problems with collinearity (Kleinbaum, Kupper, and Muller 1988). White's test for heteroskedasticity (Pindyck and Rubinfeld 1991, 137) indicated no violation of the homoskedasticity assumption.

18. Three-stage least squares reveal that the SSI supplement and Medicaid costs affect award rates, although some reciprocal influence exists. Education spending per population, the SSI application rate, the AFDC caseload, and the

manufacturing employment rate were used as instrumental variables for the SSI supplement model. Nursing home expenditures, the SSI application rate, the manufacturing employment rate, and the AFDC caseload were used as instrumental variables for the Medicaid model.