

THE DIFFUSION OF GOVERNANCE REFORM IN AMERICAN PUBLIC EDUCATION

An Event History Analysis of State Takeover and Charter School Laws

Kenneth K. Wong
Brown University

Warren E. Langevin
Vanderbilt University

NATIONAL RESEARCH AND
DEVELOPMENT CENTER ON
School Choice

This conference paper is supported by the National Research and Development Center on School Choice, Competition, and Achievement, which is funded by the Department of Education's Institute of Education Sciences (R305A040043). For more information, please visit the Center website at <http://www.nrdcsc.org>.

Abstract

The political tradition of local school governance predates the existence of the United States. Yet the most prominent mechanisms for the exercise of local discretion have evolved considerably from their colonial origins in response to the changing political climate of the nation, constituent demands, and legislative innovation. Recognizing the distinctive role of local political forces in state education policymaking, this article examines the diffusion of local governance reform as national policymakers redefined the terms of state policy leadership under the Elementary and Secondary Education Act. Through a discrete event history model using the complementary log-log function and cubic spline representation of time, we test the national influence and ideological distance hypotheses for charter school laws and state takeover reform. Our statistical results show clear differences in the respective number of significant determinants and explanatory power for those predicted relationships within each policy initiative.

The Diffusion of Governance Reform in American Public Education

The political tradition of local school governance predates the existence of the United States. Yet the most prominent mechanisms for the exercise of local discretion have evolved considerably from their colonial origins in response to the changing political climate of the nation, constituent demands, and legislative innovation.¹ Although many historians regard the structural reforms of the past century as well-intentioned, the passage of state accountability legislation over the last twenty years has reinvigorated criticism of traditional governance arrangements with a new focus on the restriction of consumer choice in the provision of public services (Chubb and Moe 1990). Just as ideological conflict between state and local stakeholders has attracted wide coverage in regional media outlets, however, local constituents have strongly opposed the reduction of local discretion under the No Child Left Behind Act (Public Law 107-110) without concurrent acceptance of fiscal responsibility for redistributive dollars allocated by the federal government. Perhaps as a result of the insulation of public education officials from the general public and the diminishment of civic capacity (Stone et al. 2001), the national accountability movement thus confronts state legislators with a “crisis of legitimacy” – how do state bureaucratic institutions respond to an unprecedented level of public and private demands from governors, business leaders, constituents, and interest groups in the midst of competing threats to local institutional legitimacy?² And, in the broader consideration of state policymaking, when are state lawmakers willing to challenge the political and economic constraints of divided localism and reform the popular mechanisms of local control?

By virtue of the tradition of state plenary authority in education, the passage of educational governance reform represents an intriguing case for the study of policy diffusion. Since the seminal work of Berry and Berry (1990) renewed scholarly interest in the structural determinants of policy adoption, the majority of recent studies have examined state legislative responses to outward signals from the national government in several policy domains where federal statutes dominate the state

regulatory environment and frequently supplant the power of local political interests (Mooney and Lee 1995; Soss et al. 2001; Balla 2001; Allen, Pettus, and Haider-Markel 2004). When state policymakers debate new public school laws, however, they must consider a diverse legal context reinforced by state constitutional provision and the democratic tradition of local control.

The distinctive mode of state legislative behavior originally found in the education policy domain by Virginia Gray (1973) suggests an empirically complex pattern of policy innovation that has not received wide scholarly attention. Both political scientists and public policy scholars may be surprised at this lack of substantive inquiry in recognition of Mintrom's (2000) promising work on policy entrepreneurship. In his major study of open enrollment school choice laws, Mintrom (2000) finds policy entrepreneurs and policy networks are more strongly associated with the consideration of new policy ideas than rival explanations of political and economic constraint in the legislative process, but that there is a notable departure in the magnitude of those statistical effects in the final adoption of new initiatives. A second contribution of his empirical analysis to the diffusion literature is the creation of an original measure for teachers' union opposition derived from a national survey of stakeholder groups (Mintrom 2000). The necessary compromise in his detailed measurement strategy for lobbying activity within a specific legislative initiative, however, is the conceptual difficulty in applying the same qualitative measures to future studies in the education policy domain. At a more basic level, his principal focus on policy entrepreneurship does not draw upon the theoretical advantages of American intergovernmental relations to explain the competing incentives of political interest communities and their hypothesized level of decentralized influence from the initial phase of policy consideration to final adoption. By premising any contributions to the original work of Mintrom (2000) on the broader incorporation of state and local conflict in his theoretical framework, this paper may thus encourage a new scholarly consensus on the legislative process and relevant methodological standards in future studies of policy diffusion.

While previous studies have greatly enhanced our knowledge of policy diffusion, we believe scholars must reinforce the conceptual linkages between the policy process and modern theories of American federalism in the next phase of state policy research. In particular, the notable lack of a comparative basis for local constraint across multiple policy arenas weakens the formation of a general theory of diffusion. Most scholars recognize the vital importance of major empirical findings in the interest group literature with direct implications for policymaking, for example, such as the overwhelming presence of local institutional interests among statehouse lobby registrations (Gray and Lowery 2001). An emerging consensus on the significant presence of local interests in the policy process has nonetheless failed to motivate widespread interest in modeling their level of decentralized influence within the conventional approach of event history analysis (Berry and Berry 1990; Buckley and Westerland 2004). Our conceptual argument is not predicated on general agreement about the most representative measurement of local institutionalism across all policy types. At the very least, it would be methodologically challenging to account for the causal effect of private interests operating upon a continuous time horizon through discrete measures of interest group membership and lobbying registrations, even in hypothetical cases of fiscal distribution to a single constituent group. Rather, our more general assertion is that there is not sufficient reason for *a priori* dismissal of the complex network of state and local interests who may expedite or restrict the legislative outcome of interest. Accordingly, we believe political scientists may benefit from the study of modern education governance reform in the presence of “a continuing power shift” away from local autonomy characterized by recurrent intergovernmental conflict (DiLeo 1998, 112).

This study examines the political dynamics of legal and fiscal responsibility shaping the diffusion of governance reform. Through an extension of Wong and Shen’s (2002) substantive focus on charter school laws and state takeover reform, we explore the antecedent conditions for state legislative activism when local institutions and competing notions of legitimacy may restrict

policy innovation. In moving beyond the party competition hypothesis to the ideological bases of policy learning (Grossback, Nicholson-Crotty, and Peterson 2004) and the conditions of national influence (Allen et al. 2004), we join an emerging debate on the distinctive modes of deliberative conflict over structural reform initiatives (Hill and Klarner 2002). Finally, our study contributes to the general literature by examining the theory of diffusion when the focus of reform is not the exercise of state authority, but the conditioning of local political actors on national terms.

The Electoral Basis of Local and National Influence

Localism represents the most recurrent dilemma for state legislators whose constitutional authority may preclude compulsory deference to federal interests but does not necessarily imply constituent support for governance decisions. Although state constitutions generally do not explain the informal character of state-local relations, the existence of popular elections for state legislative office in all fifty states reinforces that “local governments possess considerable power” not only in determining the partisan composition of state legislatures, but also in restricting how state officials use their powers of office (Briffault 1990, 112). Local constituents may reinforce the legitimacy of local politicians and decrease the pressure for redistributive equity at higher levels of government, for example, by simply casting their ballot in favor of community interests during state and local elections (McDermott 1999). The decentralized electoral process as a structural mechanism of local control is vital to the prioritization of local concerns at the state level, in part because it provides a periodic opportunity for political choice in the allocation of general state revenues to redistributive or developmental interests (Wong 1985). In regard to the policy process, the major implications of the fragmented distribution of popular legitimacy in the American intergovernmental system are most evident during periods of economic instability, when the structural basis for localism allows constituents to simultaneously reward the mandate of local officials in responding to particularistic demands *and* constrains the ability of state lawmakers to reach sustainable functional arrangements

(McConnell 1966; Peterson 1995). The most significant consequences of a joint desire for local control and reduced fiscal obligations are not confronted in a recurrent exercise of democratic accountability, however, but in the realm of governance. When local voters favor reduced taxes and greater services from state governmental agencies to the same extent as legislative professionalism and bureaucratic performance, it is consequently not surprising that the electoral foundations for localism will most likely be at the center of state-local conflict over major governance decisions.

The forces of national influence may revise the dimensions of political conflict. While the education policy domain is characterized by greater consensus among state and local officeholders than an increasingly partisan mode of congressional policymaking (Aldrich and Rohde 2001), the federal government has periodically intervened in state affairs when national concerns for equal protection superseded a tradition of local autonomy. Beginning with the mandatory implementation of the Civil Rights Act (Public Law 88-352), national policymakers initiated a precedent for federal activism through legal sanctions and fiscal incentives. The formal exercise of national influence in promotion of policy adoption is frequently linked to informal relationships between congressional representatives and state lawmakers, which are hypothesized to determine adoption when national leaders define the terms of policy debate (Allen et al. 2004). As shown in the gradual process of school desegregation in the Southern states, however, the electoral incentives of state officials and local institutions who champion local discretion at the cost of redistributive equity and functional efficiency may often represent a more powerful constraint on policy reform than principal-agent hierarchies forged by vertical divisions in the federal system (McConnell 1966; Chubb 1985).

Beyond a simple recognition of the potential force of localism in state government, political scientists need to better understand the potential variation in national influence. We believe one of the most promising cases is derived from the theoretical framework of progressive federalism, when decentralized states act as “laboratories of democracy” and congressional action supplements, rather

than precipitates, the diffusion of innovation in a substantive policy arena dominated by local political actors (Peirce 1991 in Hedge 1998). To expand the scope of the current literature, our study examines two distinctive approaches to governance reform developed by state officials in response to local constraints and subsequently endorsed in federal legislation.

Local Political Institutions and the Conditions of Local Control

Many scholars contend the National Commission on Excellence in Education placed local governance reform at the forefront of the national policy agenda. Led by Secretary Terrell Bell of the Department of Education, the Commission's final recommendations in *A Nation at Risk* (1983) claimed the federal government held the "primary responsibility to identify the national interest in education" and "provide the national leadership to ensure that the Nation's public and private resources are marshaled" toward substantial changes in student performance, curricular decisions, and fiscal support (33). The Commission proposed a more limited sphere for local policy influence. While the managerial role of local boards and superintendents was not challenged under their new proposal for national leadership, the substantive contribution of local school officials in the policy process was not to extend beyond local implementation and promotion of federal initiatives among constituent voters (32). In a controversial departure from the past tradition of local control, national policymakers would formulate the terms of structural reform to lead public schools away from "a rising tide of mediocrity" without the participation of local officials in policy deliberations (5).

The most prominent critique of the national influence hypothesis in explaining the diffusion of governance reform is found in the gradual shift of fiscal responsibility from local officials to state authorities across the preceding time period. Prior to the Commission, a collective series of judicial decisions in *Serrano v. Priest* (1971), *San Antonio Independent School District v. Rodriguez* (1973), and *Serrano v. Priest* (1976) reshaped the national landscape for greater state funding of elementary and secondary education. While the final outcome of litigation in California and Texas reaffirmed

state plenary authority in education, many state officials began to challenge the political tradition of local control upon witnessing the state percentage share of public school expenditures rise nearly ten points on average from forty to fifty percent of total revenues during the preceding twenty-year period (Wong 1999, 46).³ According to the main arguments in this rival perspective, the gradual shift in state and local finances prioritized an underlying demand for policy reform in statehouse deliberations. Thus, a rational desire for centralized power and authority led to the consideration of governance reform as state lawmakers moved away from a historical perspective of local control to a modern view of local discretion as premised on the condition of local revenue generation.

Regardless of the causal determinants of policy reform, state entrepreneurs responded to a serious threat of public confidence in the nation's educational system by proposing new strategies for local institutional change. For local school districts with recurrent patterns of fiscal, managerial, and academic failure, twenty legislatures authorized state takeovers to shift budgetary powers and discretionary authority from local school boards to outside management teams at the consent of chief state school officers and state boards of education (Ziebarth 2004; Wong and Shen 2002). The successive implementation of a local district takeover presented a complex series of political and managerial challenges to state officials. In the case of financial takeovers, state administrators were charged with reducing the propensity of local officials to create a bailout problem, or a moral hazard situation where local politicians approve higher expenditures, collect lower tax revenues, borrow excessive funds, and build significant arrears due to the absence of hard budgetary constraints and formal liability resting with a higher-level government (Rodden and Eskeland 2003). Because stronger regulation would necessarily reduce local discretion, however, chief state school officers who approved state takeovers faced a policy dilemma of justifying more centralized authority and coercive powers without any empirical evidence that broad management reform would produce higher student achievement returns and financial stability in the near future (Wong 1999).

On the other hand, thirty-nine states authorized the creation of charter schools with limited bureaucratic regulations to introduce basic principles of market competition into the provision of public education services. A secondary motivation for promoting charter schools as an alternative to traditional local institutions was the prediction that stronger competition for pupil expenditures to charter schools in the community to reshape the political incentives of school board members (Hill, Pierce, and Guthrie 1997). Although charter schools are not mutually exclusive from state takeover laws in their potential application to the local arena, each strategy proposes a different core approach to governance reform within the context of paradigmatic policy change (Wallis and Dollery 1999). Both state takeover and charter school laws are designed to resolve comparable problems of academic and managerial performance, for example, but with clear differences in their respective time horizons and market potential (Wong 1999). Whereas state intervention relies upon full implementation of new public management techniques for local agency reform, the charter movement is prefaced on microeconomic incentives for new entrepreneurs to compete for local service delivery agreements (Hill, Pierce, and Guthrie 1997; Mintrom 2000).

A major theme in our exploratory study of governance reform is the role of political capital in state legislative deliberations. Based on recent empirical studies of local political forces in the United States, we propose the concept of divided localism to explain the competing desires of local officials and citizens for reduced fiscal responsibility without significant changes in local control and the distribution of political power as a complicated structural basis for reform (McDermott 1999). Since the multivariate relationships of greatest interest in state policy research concern the geographical expansion of a particular law, our paper emphasizes a substantive connection between the national influence hypothesis and divided localism in relation to the nature of public legitimacy and political capital. To the same extent as government officials may draw upon a reservoir of public trust to preserve their representative standing with constituents in the face of clear divergence

on policy issues (Hetherington 2004), we consider the revised hypothesis that local citizens from multiple jurisdictions may allocate political capital to national lawmakers to pursue higher levels of fiscal redistribution or regulatory enforcement. Our methodological approach focuses on the passage of charter school legislation and the first implementation of takeover statutes to consider policy decisions requiring the most political capital in local governance reform, as proposed in Wong and Shen (2002), but secondly examines political legitimacy at the state level witnessed in the longitudinal patterns of state-local fiscal responsibilities. Consequently, we believe the present study recognizes not only how state legislatures revised the terms of their political relationship with local officials in adopting local governance reform consistent with national legislation, but also how the structural role of local conflict transformed the calculus of local resistance to policy innovation.

The Diffusion of Governance Reform in the American States

The introduction of discrete event history analysis remains the most significant advance in the measurement of state policy innovation. To provide an empirical test of their unified model of state policymaking, Berry and Berry (1990) suggest a cross-sectional approach based on annual legislative policy outputs, coded in dichotomous terms, over a specified time interval. The basic method of discrete event history analysis in policy diffusion compares the relative contributions of internal and external determinants in the legislative process through the hazard rate, such that the probability of adoption is conditional on prior event non-occurrence as well as the covariates:

$$h(t) = \Pr (T = t_i \mid T \geq t_i, \mathbf{x}), \quad (1)$$

where the random variable T is a discrete variable indicating the time of event occurrence, t_i denotes the individual observations at specific time intervals, and \mathbf{x} represents the covariate relationships of interest. In simpler terms, the hazard rate provides a measure of relative likelihood for state innovation when legislators have not previously adopted the specific policy of interest.

With the preceding determination of the hazard rate for policy innovation, it is important to consider the functional form of the discrete-time model. Many diffusion studies rely on maximum likelihood estimation through multivariate regression on the categorical dependent variable (Berry and Berry 1990; Mintrom 2000). Although the choice of functional form should reside on whether the policy outcome reflects an underlying normal or point-binomial distribution, most scholars have reached similar conclusions from logistic and probit regression in discrete event history analyses over short time periods (Box-Steffensmeier and Jones 2004). When the basic assumptions of both generalized additive models are not reflected in the risk set, the more attractive option noted by Buckley and Westerland (2004) is the complementary log-log function of the general form:

$$\log[-\log(1 - \lambda_i)] = \beta_0 + \beta_1 x_{1i} + \beta_2 x_{2i} + \dots + \beta_k x_{ki}, \quad (2)$$

where λ_i represents the log-odds ratio of the probability of state policy adoption to the probability of prior event non-occurrence. The major distinction of the complementary log-log function is an asymmetrical response curve that gradually departs from the initial event of policy innovation, but more rapidly approaches complete diffusion than logistic and probit specifications (Agresti 1990 in Box-Steffensmeier and Jones 2004).⁴ We believe this methodological advantage complements the theoretical basis of policy diffusion in the American federal system, as it is not likely the complete risk set of fifty states will confront the specific dilemmas that motivate legislative deliberation and the prospective occurrence of policy diffusion. Beyond the scope of this empirical analysis, some conventional models based on either parametric distribution may thus hold an unreasonable set of expectations for the computation of unbiased parameter values when every state does not share uniform governance arrangements and comparable motivations for institutional reform.⁵

Dependent Variable: States Adoption of Governance Reform

The passage of governance reform began with the state takeover of Newark Public Schools in New Jersey and Bridgeport City School District in Connecticut in 1988. A national movement for

charter school authorization laws commenced three years later in the state of Wisconsin. To explain the competitive political context for two different strategies, we create separate models for takeover reform and charter school laws.⁶ As shown in Figure 1, the relative presence of sigmoid curves in the cumulative frequency distribution of state policy adoptions offers preliminary evidence for the exercise of national influence through federal intervention (Gray 1973; Allen et al. 2004). To model the diffusion process in relation to multiple determinants, our dataset begins in the first year after the introduction of a policy innovation. The dependent variable is coded zero for each year that a state legislature does not adopt the reform strategy and one in the year of adoption. For every state not adopting both reforms by the end of 2002, the full series of state-year observations is modeled.

Independent Variable: Vertical Diffusion Forces

The prominent role of federal policymakers in prioritizing governance reform since the release of *A Nation at Risk* (1983) suggests that vertical forces may strongly influence the diffusion process. While the national government may signal preferences to state legislatures using several different mechanisms, the availability of federal dollars is among the most influential determinants of policy innovation (Welch and Thompson 1980; Allen et al. 2004). Since 1965, the United States Congress has utilized the fiscal incentive strategy in education by allocating categorical grants to state education agencies with a clear expectation for state adoption of national goals in the presence of a federal revenue stream (Peterson, Rabe, and Wong 1986; Wong 1999).⁷ In recent years, the joint endorsement of charter schools and state intervention became a new component of the federal reauthorization of elementary and secondary aid under President Bill Clinton in 1994. Accordingly, we model the exercise of vertical influence using the dichotomous approach of Allen et al. (2004), with all years prior to the Improving America's Schools Act (Public Law 103-382) coded as zero and subsequent years coded as one.⁸ The national influence hypothesis contends that states will be

more likely to adopt both institutional reform strategies after federal lawmakers legitimate the governance reform process at the national level.⁹

Independent Variables: Internal Determinants

The annual budgetary process in many state legislatures regularly elicits the most divisive confrontations in American government due to the considerable level of state expenditures for social redistributive programs and the electoral constraints on state revenue collection. Without the expansive borrowing capacity of the federal government, state lawmakers cannot invest their political capital in expensive bureaucratic reform during budgetary years characterized by fiscal insolvency. Recent studies of policy diffusion model this limitation on state legislative behavior by incorporating a relative measure of fiscal health, defined as the ratio of total revenue minus total spending to total spending, as a time-varying covariate and hypothesizing an overall direction of association based on potential costs of implementation (Berry and Berry 1990). Due to the major discretionary expenses represented in state appointment of new public management teams and greater resource allocation to local school districts, it makes conceptual sense that poor fiscal health will restrict adoption of state takeover reform in the same direction as the enactment of academic bankruptcy legislation (Grossback et al. 2004). To model the relevant dimensions of innovation in the state and local context, we recognize the need to justify theoretical relationships for both strands of legislation. In contrast with the public visibility of local academic bankruptcy, a state budgetary crisis may shift public attention toward overall fiscal stability rather than the present condition of local governance during the limited duration of state legislative sessions. Local interests are well-positioned to maintain current governance arrangements and policy jurisdiction when proposed legislation will not resolve fiscal tensions in a heavily-contested political space, but may face a stronger threat to local autonomy during transition years when state leaders are more receptive to the promise of future economic returns through private contracting (Nicholson-Crotty 2004). As a

result, our positive directional hypothesis for charter school adoption and fiscal health reflects the relatively uniform motivation of policy entrepreneurs to frame the new initiative as a market-driven reform with strong fiscal incentives for state political institutions (Fusarelli 2003; Mintrom 2000).¹⁰

Fiscal considerations may be strongly evident in the relationship between local governments and the states in terms of operational discretion. Although the local share of total state expenditures does not necessarily dictate formal levels of local autonomy, recent works in the public finance literature demonstrate how the present level of decentralization within the intergovernmental system accords local officials with varying levels of power and responsibility in the policy process (Wirt 1985; Wong 1999). A secondary incorporation of the theoretical insights from the political choice literature would suggest the local revenue share demonstrates the degree to which local taxpayers support local political institutions (Wong 1985). In practice, the empirical literature in the education policy field demonstrates how the considerable influence held by local governments and citizens in decentralized revenue generation has been a major source of tension in state legislative efforts to restore performance accountability through the establishment of strict conditions for local school board autonomy. The divided localism hypothesis contends that states with greater levels of fiscal centralization will be more likely to take over local school districts as the direct result of legislative demands for greater fiscal accountability in local districts and a shared viewpoint of local autonomy as conditional upon acceptable performance as defined by state officials. While local politicians routinely criticize takeover reform as a direct threat to their policymaking influence, many state legislators and local policy entrepreneurs in favor of market-driven reform may follow a different set of rational incentives and view local fiscal responsibility as prospective funding for charter schools. This second notion is predicated on past evidence of how deliberative lobbying of political elites at the state level can result in more extreme policy outcomes than general citizen preferences under a fragmented system of governmental authority (McConnell 1966, 363). In formal terms, we

hypothesize states with higher levels of fiscal decentralization are more likely to adopt charter school laws due to legislative recognition of the electoral benefits for education reform and the budgetary promise of a sustainable revenue stream (Peterson et al. 1986; Peterson 1995).

Following the conventional approach of previous studies, we incorporate time-varying measures of constituency size and citizen wealth as control variables in our final model. Based on the growing prominence of education reform in state election campaigns, we believe states with higher student enrollment totals will have greater incentives for governance reform because of the greater organizational basis for political change in larger constituencies and the underlying demand for responsive, democratic governance (March and Olsen 1995). A rival explanation for economic motivations in local political reform contends those states with higher per capita personal income levels, measured in constant dollars, will be more likely to adopt both reforms based on the wealth of state residents and their related propensity to favor regulatory and distributive policies with prospective benefits for local economic development (Walker 1969; Peterson 1995).

The role of ideology should be modeled as an internal determinant of state policy activism given the consistent presence of ideological arguments in statehouse deliberations over educational governance reform. One might potentially argue that relevant measures of party control and divided government at the federal level can explain the ideological dimensions of legislative success in the conditional party government model of congressional debate (Aldrich and Rohde 2001). Yet the same generalization cannot be reasonably made at the state level, as Smith (1997) found in a longitudinal survey of state welfare legislation, because party control does not consistently explain policy outcomes. In comparing the results of Wong and Shen (2002) with other studies, we expect traditional party competition measures will not reveal the key ideological motives of elected politicians over time. Accordingly, we use the government ideology measure of Berry et al. (1998) to discern every state's representative level of policy liberalism over time, where higher values are

associated with more liberal policy outcomes. Although previous studies have partly attributed the extent to which state lawmakers differ in their fiscal responsibility for public education to citizen ideology (Wood and Theobald 2003), we believe the political terrain of local governance reform differs from education finance law in motivating the formation of regulatory coalitions without strong ideological foundations (Lowi 1972). A second justification based on the policy literature is that the politics of elite consensus in public school affairs necessitate “pragmatic movement toward the middle” and will not yield significant results in our final model (Fusarelli 2002, 154). Our directional expectation is that states with more liberal policy orientations will be less likely to adopt governance reform in recognition of general preferences for state involvement through traditional policy levers, rather than market-driven alternatives, and the desire to avoid controversial reform strategies more likely to target minority groups and stakeholders (Wong 1999).

Independent Variables: External Determinants

A foremost consideration in the diffusion process is the mechanism by which legislators receive information about new policy options. Although there are multiple pathways of information in modern state government, ranging from national policy organizations to interstate professional associations, a substantial portion of the current literature is devoted to the role of elite preferences and group consensus (Balla 2001; Hill and Klarner 2002). The participation of state leaders in a regional conference, for example, may encourage policy entrepreneurship and the resolution of a common dilemma across multiple states (Balla 2001). Yet the empirical reality of policy consensus driven by partisan and interstate competition, and not the forces of legislative professionalism, stimulates an alternative set of political motivations for state legislators (Peterson 1995).

The historical notion of the fifty states as laboratories of democracy supports the theoretical argument that individual states with similar ideological dispositions have the greatest propensity for policy convergence. Recognizing an underlying basis of ideological conformity in policy diffusion,

Grossback et al. (2004) emphasize how state legislators view proposed initiatives in the context of their ideological preferences. More specifically, the prospective occurrence of policy adoption is enhanced by relative proximity between the adoptive state and past adopters as well as the timing and sequence of deliberations (Grossback et al. 2004).¹¹ Recent trends in state policymaking further indicate state lawmakers will prioritize their ideological similarity with the most recent adoptive state to the same extent as the average cumulative preferences of all prior adopters (Grossback et al. 2004). Whereas the government ideology variable reflects elite preferences in each year and the national influence variable exerts uniform pressure on every state, this time-varying covariate of ideological distance models the concurrent process of ideological change over the course of policy development. In formal terms, the hazard for state policy adoption should be proportionately higher when there is a smaller ideological distance between the adoptive state and the past adopters. The ideological distance hypothesis contends an increase in the ideological distance between a potential adoptive state and prior adopters will reduce the likelihood for diffusion of both reform strategies.

The remaining variables in our unified model of state policymaking control for alternative spatial and temporal explanations of policy innovation. First, we follow Berry and Berry (1990) and others in modeling spatial diffusion as the proportion of neighboring states having adopted the policy of interest in the previous year. The regional diffusion hypothesis expects states will be more likely to adopt either reform strategy when a higher proportion of neighboring states have enacted the legislation in a previous session. Although Mooney (2001) carefully demonstrates how a single discrete measure of regional diffusion can be methodologically problematic given the unfortunate lack of scholarly agreement on diffusion effects, we believe our positive expectation is theoretically justified in the context of education policy, where stronger interstate variation exists in member beliefs for the time horizon of substantive change than major disagreement on the compelling need for substantive policy reform. Another potential disadvantage of this conventional approach is the

reduction of the risk set by two non-contiguous states, Alaska and Hawaii, but one that is arguably outweighed by the greater capacity for empirical generalization within this measurement strategy compared to alternative measures of regional diffusion (Allen et al. 2004).¹² To control for serial autocorrelation in the unobserved relationships among state-year observations, we use the statistical advantages of robust variance estimation in clustering observations on each state, which results in corrected standard errors and reliable model performance (Buckley and Westerland 2004).¹³

The reliable measurement of temporal dependence is one of the most recent developments in the study of policy diffusion. A basic reason for modeling duration dependence in discrete-time formulations is the difficult expectation of a flat hazard rate for event occurrence over time (Box-Steffensmeier and Jones 2004). By accounting for temporal dependence among observations and across the cumulative risk set, many scholars have refined the explanatory power of discrete event history models. There are presently several attractive options for appropriate specification, ranging from Mintrom's (2000) incorporation of temporal dummy variables to King and Zeng's (2001) split-population model with randomized sampling of non-event observations. Based on preliminary analyses, we prefer the cubic spline approach to conserve degrees of freedom (Beck, Jackman, and Tucker 1998; Box-Steffensmeier and Jones 2004).¹⁴ We follow Buckley and Westerland (2004) in estimating a three-knot spline of the probability of adopting each governance strategy on the linear time parameter and include the linear predictions as a covariate to model duration dependency.

Results and Discussion

The statistical results of our discrete-time event history analysis of state takeover reform and charter school legislation are displayed in Table 1. Both models offer strong predictive capacity for state policy enactment based on three conventional measures of overall model specification. The first measure is the model chi-squared test. Due to the methodological limitations of the likelihood-ratio test within cluster-correlated data, we provide the adjusted Wald statistic based on likelihood

estimation for each regression coefficient, which suggests correct model specification through rejection of the null hypothesis (Williams 2000).¹⁵ Second, we evaluate model performance by comparing each model's sensitivity and specificity in correctly identifying event and non-event occurrence. As expressed in the goodness of fit measure, we observe comparable performance for both models that is highly consistent with previous diffusion studies (e.g. Allen, Pettus, and Haider-Markel 2004). A third indication of model specification is provided by the link test, which helps to evaluate specification by modeling random alternative patterns of covariate relationships. Following preliminary expectations for our strong theoretical explanation, we observe non-significant results in comparing alternative specifications of both full models and thus expect correct specification.

Based on the observed pattern of covariate effects, our preliminary results yield substantive differences from previous studies. Overall, we do not find clear empirical support for the national influence hypothesis that federal encouragement of state legislation expedites the diffusion process (Welch and Thompson 1980; Allen et al. 2004; Grossback et al. 2004). This preliminary result is particularly surprising for the passage of charter school laws because the Improving America's Schools Act and the more recent No Child Left Behind Act offer fiscal incentives for charter school entrepreneurs across the country, a hypothesized condition for national influence in previous studies (Welch and Thompson 1980; Allen et al. 2004). Because we specify national policy influence as an intervening effect in the present study, rather than as the left censoring indicator for passage of state legislation, we acknowledge the lack of statistical significance may result from model specification and the timing of federal endorsement of local governance reform. On the other hand, the relative utility of this conceptual approach in balancing the national influence hypothesis with the notion of states as laboratories of democracy may encourage future researchers to adopt a parallel strategy.

Additionally, the failure for government ideology or ideological distance variables to reach conventional levels of statistical significance matches our initial predictions. The causal explanation

for state takeovers may be readily understood in the context of comparable studies of policy enactment and implementation, such as Nicholson-Crotty's (2004) analysis of private management contracting in state corrections systems that suggests the predominance of different values and criteria for making state decisions in each phase of the policy process. In particular, the relative importance of administrative factors in policy implementation decisions may account for the lack of a direct ideological component to the first takeover decision in each state. Our statistical results for charter school laws support the same conclusion for ideological conflict that Wong and Shen (2002) found in the lack of partisan connections to the adoption of charter authorization statutes. To the extent the Berry et al. (1998) and Grossback et al. (2004) are valid and reliable measures of political ideology and relative interstate differences between state officials, these new findings suggest the presence of an elite consensus on local governance reform and a gradual movement toward policy convergence in education policy during the period of observation. Since more than thirteen states followed a more conservative approach to public service delivery and offered vouchers or tax credits and deductions toward the cost of a private education across the same time period, however, there may be substantive reason to explore whether major ideological conflict over charter school laws was prevalent in the passage of restrictive provisions for charter school operations rather than the conditional authorization of charter schools at the state level. While the ideological dimensions of state legislative behavior should not be dismissed in the study of policy diffusion, we believe the political dynamics of education reform are better explained by relevant internal conditions.

A detailed analysis of the multivariate relationships within state takeovers and charter school authorization leads to different conclusions for each policy initiative. The main difference between the takeover reform and charter school legislation models is the respective number of significant relationships and the explanatory power for those predicted relationships. Among the most notable contributions for policy implementation of state takeover laws are time-varying measures of fiscal

health, local revenue share, total student enrollment, and spatial diffusion. These results match the predicted direction of the theoretical framework between local political forces and governance reform, which may reinforce the need to account for the substantive role of formal and informal institutions in future work. In a broader sense, the negative directional relationship for state fiscal health and local revenue share indicates that political and economic constraints may deserve greater consideration in the education policy domain. In the context of the empirical reality that states with higher student populations are more likely to enforce the academic and fiscal performance standards in state takeover legislation, there is reason to believe the constituent basis for political trust in state regulatory agencies may be higher than found in local school boards with a propensity toward the moral hazard of the bailout problem (Rodden and Eskeland 2003). We believe the final results for state takeover implementation validate the theoretical basis for local political forces as prominent actors and institutions in contemporary intergovernmental relations. In the charter school law model, we can only confidently predict state legislatures with larger constituencies are more likely to prioritize structural changes for market competition through local governance reform than neighboring states with smaller constituencies and less competitive electoral pressures.¹⁶

Conclusion

Since the release of *A Nation at Risk* (1983), the process of governance reform has arguably generated the strongest resistance from local officials of any contemporary reform to reinvigorate the concept of performance accountability in American public schools. Most political scientists who conducted empirical studies of education reform in the past decade have focused on the removal of legitimate authority, the formation of new political alliances, the emergence of new policy priorities for local and state actors, and the serious challenges for reversing decades of managerial failure (Chubb and Moe 1990; Wong 1999; Stone et al. 2001; Wong and Shen 2002). Yet the study of local governance reform has not matched the pace of policy and practice. In this new study of policy

diffusion across forty-eight states, we attempted to renew the connection of state politics research to the theoretical foundations of American federalism and local institutional forces by exploring the political and economic dimensions of the governance reform process.

Based on our statistical results, we find considerable incentives for scholars to more closely examine the political and economic dimensions of state takeover and charter school reform in order to gain a more precise understanding of the historical intersections of national and local influence in statehouse deliberations. In the consideration of state takeover, the statistical significance of the quantitative measures for state fiscal health, local revenue share, total student enrollment, neighbor adoption, and duration dependency offer a promising foundation for future work that examines the conditional dimensions of local autonomy and state fiscal centralization. For charter school reform, it is most likely that future scholars need to employ more complex methodological approaches and build upon existing data collections to improve the predictive capacity of diffusion models.

The present study is not offered to the political science literature without acknowledging our practical limitations. Recognizing the direct relationship of Gray and Lowery's (2001) conclusions on the robust growth of education and welfare lobbying registrations to policy diffusion across the same time period, future studies may profit from comparing our local political influence measure with complimentary measures of state legislative influence that reflect potential variations in private lobbying for new public management techniques and market competition. Because the competitive interaction of national and local influence holds a central place in the divided localism hypothesis for policy innovation, we hope future researchers explore diverse measures of national incentives and local constraints in the policy process. In summary, we encourage political scientists to follow the same basic approach of the present study and reach a new scholarly consensus on the legislative process and methodological standards in the policy diffusion literature, one that is matched only by the heightened level of future productivity and public interest in state politics research.

Appendix A. Variable Measurement and Data Sources

Variable	Measurement	Source
<i>Dependent Variables</i>		
State Takeover Reform	Coded 1 for a state's intervention in local governance affairs in a given year and 0 otherwise	Ziebarth (2004) and original data collected by the authors
Charter School Law	Coded 1 for a state's adoption of charter schools law in a given year and 0 otherwise	United States Department of Education (2004) and original data collected by the authors
<i>Independent Variables: Vertical Diffusion Forces</i>		
Improving America's Schools Act (1994)	Coded 0 for all years prior to 1995 and 1 thereafter	Wong (1999)
<i>Independent Variables: Rival Explanations</i>		
Fiscal Health	Ratio of total state revenue minus total spending to total spending	United States Bureau of the Census (various years)
Local Revenue Share	Percentage of state's elementary and secondary education spending contributed by local government	National Center for Education Statistics (various years)
Log Student Population	Logarithm of the total number of public school students per year	National Center for Education Statistics (various years)
Log Per Capita Personal Income	Logarithm of the state's per capita personal income in real dollars based on Consumer Price Index	Bureau of Economic Analysis (various years)
Government Ideology	Elected officeholders' liberal-to-conservative ideology score, with higher scores for strong liberalism	Berry et al. (1998) on Inter-University Consortium for Political and Social Research
Ideological Distance	Relative measure of elite policy learning process based on prior adopters' government ideology	Grossback, Nicholson-Crotty, and Peterson (2004)
Neighbors' Adoption	Proportion of neighboring states having adopted policy of interest	Berry and Berry (1990) and Mooney (2001) ¹¹
Duration Dependency	Measure of time dependency using linear predictions of cubic spline function on event occurrence	Beck et al. (1998); Buckley and Westerland (2004)

Appendix B. Descriptive Statistics

Variable	State Takeover Reform		Charter School Law	
	Mean	Standard Deviation	Mean	Standard Deviation
Fiscal Health	0.099	0.112	0.091	0.089
Local Revenue Share	44.70	13.92	44.97	13.64
Log Student Population	13.14	0.919	13.12	0.913
Log Per Capita Personal Income	9.574	0.131	9.571	0.135
Government Ideology	45.69	24.82	48.71	25.96
Ideological Distance	27.93	19.39	21.95	13.33
Neighbors' Adoption	0.179	0.227	0.295	0.306

Notes

1. The Progressive movement sought to insulate public education from politicians. Many states restricted the role of mayors and regime actors in using local school boards for patronage.
2. The term “crisis of legitimacy” should be correctly attributed to Boyd (2003).
3. This longitudinal shift cannot be simply explained by the introduction of federal aid to education, as the percentage share of federal dollars held constant at nearly ten percent.
4. The complementary log-log function may be advantageous because it is the discrete-time analog of the Cox proportional hazards model (Box-Steffensmeier and Jones 2004).
5. One relevant example is the state of Hawaii, which does not have comparable motivations for takeover reform with only one local district under state oversight.
6. The key distinction in the present analysis between enactment of charter school laws and actual implementation of state takeover reform follows our unified theoretical framework.
7. The Education Consolidation and Improvement Act (Public Law 97-35) shifted the Title I categorical program to block grant format, but the original format was restored in 1994.
8. While we recognize the methodological limitations of this coding decision, we believe it is the most judicious approach to test the national influence hypothesis (Allen et al. 2004). One might argue this method does not reveal the complex nature of federal activism, but it seems reasonably appropriate for the mechanism of federal involvement in education policy.
9. The coding scheme extends until the right censoring indicator because the passage of the No Child Left Behind Act of 2001 maintained federal support for both reform strategies.
10. For the sake of clarity, we present descriptive statistics for all variables in the appendices. In computing the model coefficients and robust standard errors, we chose the logarithmic form of student enrollment and citizen wealth for more stable parameter estimates. The functional form did not change the significance levels in a controlled methodological experiment.

11. The ideological distance formula is the absolute value of a weighted average between the most recent adoptive state and all prior adopters minus the ideology of a potential adopter.
12. Our positive construction of the neighboring state matrix comes in the absence of any unique theoretical guidance for discrete educational reform regions, and defines neighboring states in terms of shared borders. The complete list is available from the authors' website.
13. The statistical reason is the lack of true independence among observations, which may result in substantial underestimation of the true variance and inflated Type I error (Williams 2000).
14. The cubic spline function yielded superior model fit to linear, quadratic, and locally weighted scatterplot smoothing functions. For a full discussion of temporal autocorrelation in discrete-time event history analysis, see Box-Steffensmeier and Jones (2004).
15. We use the adjusted Wald statistic because the total number of American states is less than one hundred, although the final model does not reflect true maximum likelihood estimation due to clustering on individual states (Korn and Graubard 1990).
16. An alternative explanation is that more populous states are more inclined to share federal goals due to their greater reliance on redistributive dollars (Peterson 1995) or the role of the mass media exhibits greater influence in larger states. Because we did not specify this fiscal interaction or supplemental variable in our models, we leave these two ideas to future work.

References

- Aldrich, John H., and David W. Rohde. 2001. "The Logic of Conditional Party Government: Revisiting the Electoral Connection." In *Congress Reconsidered*, ed. L.C. Dodd and B.I. Oppenheimer. 7th ed. Washington, DC: Congressional Quarterly Press.
- Allen, Mahalley D., Carrie Pettus, and Donald P. Haider-Markel. 2004. "Making the National Local: Specifying the Conditions for National Government Influence on State Policymaking." *State Politics and Policy Quarterly* 4: 318-344.

- Balla, Steven J. 2001. "Interstate Professional Associations and the Diffusion of Policy Innovations." *American Politics Research* 29: 221-245.
- Beck, Nathaniel L., Jonathan N. Katz, and Richard M. Tucker. 1998. "Taking Time Seriously: Time-Series-Cross-Section Analysis with a Binary Dependent Variable." *American Journal of Political Science* 42: 1260-1288.
- Berry, Frances Stokes, and William D. Berry. 1990. "State Lottery Adoptions as Policy Innovations: An Event History Analysis." *American Political Science Review* 84: 395-415.
- Berry, William D., Evan J. Ringquist, Richard C. Fording, and Russell L. Hanson. 1998. "Measuring Citizen and Government Ideology in the American States, 1960-93." *American Journal of Political Science* 42: 327-348.
- Box-Steffensmeier, Janet M., and Bradford S. Jones. 2004. *Event History Modeling: A Guide for Social Scientists*. Cambridge: Cambridge University Press.
- Boyd, William L. 2003. "Public Education's Crisis of Performance and Legitimacy: Introduction and Overview of the Yearbook." In *American Educational Governance on Trial: Changes and Challenges*, ed. W.L. Boyd and D. Miretzky. Chicago: University of Chicago Press.
- Buckley, Jack, and Chad Westerland. 2004. "Duration Dependence, Functional Form, and Corrected Standard Errors: Improving EHA Models of State Policy Diffusion." *State Politics and Policy Quarterly* 4: 94-113.
- Briffault, Richard. 1990. "Our Localism: Part I – The Structure of Local Government Law," *Columbia Law Review* 90: 1-115.
- Chubb, John E. 1985. "The Political Economy of Federalism," *American Political Science Review* 79(4): 994-1015.
- Chubb, John E., and Terry M. Moe. 1990. *Politics, Markets, and America's Schools*. Washington, DC: Brookings Institution.

- DiLeo, Daniel. 1998. "The State-Local Partnership in Education." In *Governing Partners: State-Local Relations in the United States*, ed. R.L. Hanson. Boulder: Westview.
- Dollery, Brian E., and Joe L. Wallis. 1999. *Market Failure, Government Failure, Leadership and Public Policy*. London: Macmillan.
- Fusarelli, Lance. 2002. "The Political Economy of Gubernatorial Elections: Implications for Education Policy." *Educational Policy* 16: 139-160.
- Fusarelli, Lance. 2003. *The Political Dynamics of School Choice*. New York: Palgrave MacMillan.
- Gray, Virginia. 1973. "Innovation in the States: A Diffusion Study." *American Political Science Review* 67, 1174-1185.
- Gray, Virginia, and David Lowery. 2001. "The Institutionalization of State Communities of Organized Interests." *Political Research Quarterly* 54: 265-284.
- Grossback, Lawrence J., Sean Nicholson-Crotty, and David A.M. Peterson. 2004. "Ideology and Learning in Policy Diffusion." *American Politics Research* 32: 521-545.
- Hedge, David M. 1998. *Governance and the Changing American States*. Boulder, CO: Westview.
- Hetherington, Marc J. 2004. *Why Trust Matters*. Princeton, NJ: Princeton University Press.
- Hill, Kim Q., and Carl Klarner. 2002. "The Many Faces of Elite Power in the System of 1896." *Journal of Politics* 64: 1115-1136.
- Hill, Paul T., Lawrence C. Pierce, and James W. Guthrie. 1997. *Reinventing Public Education: How Contracting Can Transform America's Schools*. Chicago: University of Chicago Press.
- King, Gary, and Langche Zeng. 2001. "Logistic Regression in Rare Events Data." *Political Analysis* 9: 137-163.
- Korn, Edward, and Barry Graubard. 1990. "Simultaneous Testing of Regression Coefficients with Complex Survey Data: Use of Bonferroni *t* statistics." *The American Statistician* 44: 270-76.

- Lowi, Theodore J. 1972. "Four Systems of Policy, Politics, and Choice." *Public Administration Review* 32: 298-310.
- March, James G., and Johan P. Olsen. 1995. *Democratic Governance*. New York: Free Press.
- McConnell, Grant. 1966. *Private Power and American Democracy*. New York: Alfred A. Knopf.
- McDermott, Kathryn. 1999. *Controlling Public Education*. Lawrence: University Press of Kansas.
- Mintrom, Michael. 2000. *Policy Entrepreneurs and School Choice*. Washington, DC: Georgetown University Press.
- Mooney, Christopher Z. 2001. "Modeling Regional Effects on State Policy Diffusion." *Political Research Quarterly* 54: 103-124.
- Mooney, Christopher Z., and Mei-Hsien Lee. 1995. "Legislative Morality in the American States: The Case of Pre-Roe Abortion Regulation Reform." *American Journal of Political Science* 39: 599-627.
- National Commission on Excellence in Education. 1983. *A Nation at Risk: The Imperative for Educational Reform*. Washington, DC: United States Department of Education.
- Nicholson-Crotty, Sean. 2004. "The Politics and Administration of Privatization: Contracting Out for Corrections Management in the United States." *Policy Studies Journal* 32: 41-57.
- Peterson, Paul E. 1995. *The Price of Federalism*. Washington, DC: Brookings Institution.
- Peterson, Paul E., Barry G. Rabe, and Kenneth K. Wong. 1986. *When Federalism Works*. Washington, DC: Brookings Institution.
- Rodden, Jonathan A., and Gunnar S. Eskeland, eds. 2003. *Fiscal Decentralization and the Challenge of Hard Budget Constraints*. Cambridge, MA: MIT Press.
- Smith, Mark A. 1997. "The Nature of Party Governance: Connecting Conceptualization and Measurement." *American Journal of Political Science* 41: 1042-1056.

- Soss, Joe, Sanford F. Schram, Thomas P. Vartanian, and Erin O'Brien. 2001. "Setting the Terms of Relief: Explaining State Policy Choices in the Devolution Revolution." *American Journal of Political Science* 45: 378-395.
- Stone, Clarence N., Jeffrey R. Henig, Bryan D. Jones, and Carol Peirannunzi. 2001. *Building Civic Capacity: The Politics of Reforming Urban Schools*. Lawrence: University Press of Kansas.
- United States Department of Education. 2004. *Evaluation of the Public Charter Schools Program: Final Report*. Washington, DC: Author.
- Walker, Jack L. 1969. "The Diffusion of Innovations among the American States." *American Political Science Review* 63: 880-899
- Welch, Susan, and Kay Thompson. 1980. "The Impact of Federal Incentives on State Policy Innovation." *American Journal of Political Science* 24: 715-729.
- Williams, Rick L. 2000. "A Note on Robust Variance Estimation for Cluster-Correlated Data." *Biometrics* 56: 645-646.
- Wirt, Frederick M. 1985. "The Dependent City? External Influences upon Local Control." *Journal of Politics* 47: 83-112.
- Wong, Kenneth K. 1985. "Economic Constraint and Political Choice in Urban Policymaking." *American Journal of Political Science* 32: 1-18.
- Wong, Kenneth K. 1999. *Funding Public Schools*. Lawrence: University Press of Kansas.
- Wong, Kenneth K., and Francis X. Shen. 2002. "Politics of State-Led Reform in Education: Market Competition and Electoral Dynamics." *Educational Policy* 16: 161-192.
- Wood, B. Dan, and Nick A. Theobald. 2003. "Political Responsiveness and Equity in Public Education Finance." *Journal of Politics* 65: 718-738.
- Ziebarth, Todd. 2004. *State Takeovers and Reconstitutions Policy Brief*. Denver, CO: Education Commission of the States.

Figure 1. Cumulative Frequency Distribution of State Policy Adoption and Federal Action

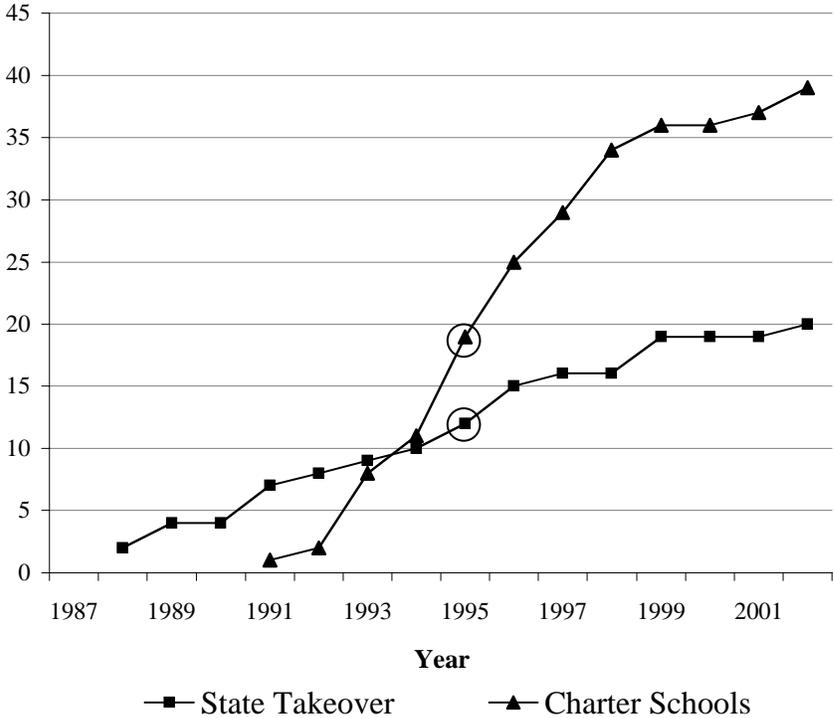


Table 1. Determinants of Governance Reform in Public Education, 1988-2002

Independent Variables	State Takeover Reform	Charter School Law
Improving America's Schools Act (1994)	-0.31 (-0.44)	0.28 (0.41)
Fiscal Health	-5.22** (-1.68)	0.78 (0.41)
Local Revenue Share	-0.03* (-1.56)	0.002 (0.11)
Log Student Population	0.81** (2.28)	0.47** (2.01)
Log Per Capita Personal Income	-0.24 (-0.08)	1.30 (0.74)
Government Ideology	0.01 (0.88)	-0.01 (-1.27)
Ideological Distance	0.01 (0.59)	-0.007 (-0.53)
Neighbors' Adoption	1.85* (1.51)	0.40 (0.55)
Duration Dependency	65.30* (1.95)	5.12 (0.92)
Constant	-13.82 (-0.54)	-21.35 (-1.40)
Adjusted Wald Chi-Square (<i>df</i>)	40.44 (9)	24.76 (9)
Overall Model Significance	0.000	0.003
Count R^2	0.965	0.882
Number of Cases	511	305

* $p < .10$, ** $p < .05$

Notes: Coefficients from complementary log-log model with robust standard errors clustered on state; all significance tests except duration and constant are one-tailed; All analyses performed with STATA 9.0.