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UNIVERSITY OF CALIFORNIA

Los Angeles

The Causes of Budget Gridlock in California:

Institutions, Parties, and Conflict

A dissertation submitted in partial satisfaction of the requirements
for the degree Doctor of Philosophy in Sociology

by

Isaac David Fligstein Speer

2016

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ABSTRACT OF THE DISSERTATION

The Causes of Budget Gridlock in California:

Institutions, Parties, and Conflict

by

Isaac David Fligstein Speer

Doctor of Philosophy in Sociology

University of California, Los Angeles, 2016

Professor Rebecca J. Emigh, Chair

This dissertation addresses three broad questions in political sociology: How do the structures of political institutions shape political conflicts? How are social cleavages (race, class, etc.) linked to conflicts between political parties? And why do states vary in their capacity to make and implement political decisions?

I develop a theory of political decision-making by drawing on the work of Max Weber, political institutional theories, and other sources. The overall argument is that states' ability to reach decisions (such as creating new laws) is influenced by three factors: 1) the number and location of veto points, 2) the pattern of partisan control, and 3) the extent of alignment of partisanship with social and ideological cleavages. Many veto points, divided partisan control, and a strong link between partisanship and cleavages lead to a high level of political gridlock.

Budget gridlock in California provides a perfect case for assessing my theory of political decision-making. From 1970 to 2010, California's government was increasingly unable to enact budgets on time. However, since 2010, it has enacted all of its budgets by the deadline. I use comparative-historical methods to examine the rise and fall of budget gridlock.

Broadly speaking, I find that the conjuncture of three factors drove the rise of budget gridlock from 1969 to 2010: the establishment of supermajority rules within the government; divided partisan control of government positions; and increasing polarization of Democrats and Republicans along demographic and ideological lines. Changes in two of these factors - the elimination of the supermajority rule for passing budgets, and the shift to full control of the budget process by Democrats - largely account for the disappearance of gridlock since 2010. These findings provide support for my theory of political decision-making.

The theory that I develop in this dissertation offers a much stronger explanation for political gridlock than existing models in political science. It can be used to improve our understanding of gridlock in the U.S. federal government, the states, and in other settings. More broadly, it is useful for explaining both the dynamics of political conflicts and variations in state capacity in a variety of contexts.

The dissertation of Isaac David Fligstein Speer is approved.

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Acknowledgements

First, I want to thank Rebecca Emigh, my main academic advisor and the chair of my dissertation committee, for all of her guidance and support. She provided crucial advice to me at innumerable points in the process, gave me feedback on countless drafts, and always encouraged me to push forward. I will be forever grateful for all of her input and for believing in me even when I doubted myself.

Next, I thank the other members of my dissertation committee - William Roy, David Sears, and Edward Walker - for all of their advice and for the detailed comments they gave me on my rough drafts. Their valuable feedback helped me strengthen the final draft of this dissertation. In addition, Professor Sears' research on the causes of California's tax revolt was an important source for my analysis of the rise of budget gridlock (Chapter 3). I also thank Jennie Brand and Barbara Sinclair, two former members of my dissertation committee, for their comments on my dissertation proposal. Professor Sinclair's work was a major influence on my decision to study partisan conflicts and political gridlock, and her untimely passing last year was deeply saddening.

I want to thank past and present members of Rebecca Emigh's working group for graduate students – Leisy Abrego, Rebecca DiBennardo, Faustina DuCros, Andrew Herman, Molly Jacobs, Rennie Lee, Carrie Miller, Kyle Nelson, Corey O'Malley, Marisa Pineau, and Kevin Shih – for their feedback. I greatly appreciate their comments on the numerous chapter drafts and presentations of my research. I also thank several other former and current graduate students for their feedback on various parts of my project: Philippe Duhart, Noah Grand, Ashley Gromis, Wesley Hiers, and Anup Sheth.

Additionally, I want to thank the organizers of the New Fiscal Sociology workshop at the 2012 Social Science History Association conference in Vancouver, B.C. – Isaac William Martin, Ajay Mehrotra, and Monica Prasad – for giving me the opportunity to present a very early version of Chapter 5 (the chapter on Schwarzenegger) at the 2012 Social Science History Association conference. I am grateful for the feedback I received from them and from the other attendees of my presentation. Furthermore, Professor Martin’s work was a valuable resource that I drew on when writing the third chapter of my dissertation.

I thank my parents, my brother, and my extended family for all of their love and encouragement during this process. I also thank my Mom for her immense help with copy-editing, putting together tables, formatting citations, and assembling the bibliography. Lastly, I thank my wife, Corey O’Malley, for all of her love and support through our many years together as Ph.D. students in Sociology at UCLA. Without her, I would not have reached the end of this long journey.

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Introduction

In the last few decades, American political scholars and commentators have increasingly expressed concerns about the level of *political gridlock* in the United States (e.g., Hacker 2010; Klein 2013; Mann and Ornstein 2012; Wallach 2015). *Political gridlock* refers to delays in responding to, or the inability to respond to, important political issues (Binder 2003; Cummins 2012; Jones 2001a:125). Political scholars generally agree that the level of political gridlock in the federal government has risen over the last few decades (Binder 2003, 2014; Mann and Ornstein 2012; Sinclair 2006:355-360, 2014:713-719). For example, passing bills in the Senate has become increasingly difficult (Mann and Ornstein 2012:88-91; Sinclair 2006:210-214, 216-217, 233, 359-362; 2014:711-2). One noteworthy instance was the lengthy delay in passing the Obama's Administration's Affordable Car Act in 2010; Senate Republicans made a concerted effort to block the proposal, forcing Senate Democrats to overcome a series of procedural hurdles in order to pass the bill (Sinclair 2014:711-712). However, delays are now typical even for relatively non-controversial legislation like extending unemployment benefits during the 2009-2012 recession (Mann and Ornstein 2012:88-91). Additionally, Senators have increasingly blocked presidents' appointments for the executive and judicial branches (Mann and Ornstein 2012:91-100; Sinclair 2006:214-216; 2014:712-713), which may undermine the government's ability to implement existing policies (Mann and Ornstein 2012:100).

Perhaps the most striking example of gridlock in the federal government is the stalemate that occurred in 2013 over both passing the federal budget and raising the debt ceiling (Montgomery and Helderman 2013; Sinclair 2014:715, 718-9; Wallach 2015; Weisman and

Parker 2013). In this case, gridlock led to a shutdown of parts of the federal government and almost prevented it from being able to make interest payments to creditors. If a default on interest payments had occurred, it almost certainly would have led to a massive economic crisis.

In addition to gridlock in the federal government, political gridlock over budgets has been a problem in several large states. For example, California's state government increasingly failed to enact its annual budgets on time from 1969 to 2010, to the point where late budgets became the norm (California State Department of Finance [DOF] 2015; Wilson 2011). From 1985 to 2004, New York failed to pass its budget by the deadline for twenty years in a row (Cooper 2004-08-22). Recently, Pennsylvania finally enacted its budget after going nearly 9 months without one (Associated Press 2016-03-23; Langley 2016-03-24), while Illinois' government is on the verge of having failed to enact a budget for *two full years* (Associated Press 2016-06-28; Garcia 2016-06-128).

Here I seek to answer the question, what are the causes of political gridlock in representative governments? In other words, why are governments more or less capable of enacting new laws or reaching other political decisions in a timely manner? I answer this question through a case study of the rise and fall of budget gridlock in California.

This study is relevant to three broader issues in political sociology. First, my dissertation links to political sociologists' interest in explaining variations in *state capacity*, i.e., the ability of state officials to achieve policy goals (see Skocpol 1985:15-20). Although political sociologists don't use the term *political gridlock*, the concept fits well with political sociologists' interest in state capacity (see Skocpol 1985:15-20) and, more particularly, with research on why some policy reforms are adopted while other proposals are blocked (e.g., Amenta 1998; Chen 2007; Quadagno 2004). The existing literature has focused on variation on the capacity of states to

implement decisions, based on macro-level, structural conditions like bureaucratization (e.g., Mann 1993; Skocpol 1992). My distinct contribution is to focus on the factors that influence states' ability to *make* political decisions in the first place, and to show how this capacity is influenced by meso-level changes in political conditions.

Second, my dissertation contributes to *political institutionalism*, the perspective that the structures of political institutions shape political outcomes (Amenta 2005:97, 104; Mann 1993:52; Skocpol 1992:41)¹. In particular, it provides further evidence in support of the claim that the structures of political institutions shape political conflicts (e.g., Amenta 1998:19, 29; Hall 1986:19, 231, 233; Mann 1993:52). I extend our knowledge of how political institutions affect the distribution of power, enhancing the power some actors (e.g., a political party or interest group) at the expense of others, and thereby influence the outcomes of political struggles.

Third, my dissertation illuminates how patterns of alignment between social groups and political parties influence the intensity of political conflicts and, in turn, the outcomes of these conflicts. The 'social bases of politics' and the role of political parties have been long-standing concerns for political sociologists (e.g., Lipset 1960; Marx 1978; Weber [1922] 1978b; see Mudge and Chen 2014:306-311), but these topics were neglected by sociologists from the 1970s through the 1990s (Mudge and Chen 2014:306-307, 311-312). My work contributes to the

¹ Unfortunately, there is no agreed-upon terminology for describing this perspective. Skocpol (1992:41) called it the "structured polity" perspective. Mann (1993:52) referred to this approach as "institutional statism". I prefer Amenta's (2005:97) term "political institutional theory" since it seems to be the clearest expression of the argument being made by these scholars. Another point of confusion is the relationship between "political institutionalism" and "historical institutionalism" (e.g., Hacker 1998:70; Immergut 1998:5; Thelen and Steinmo 1992:2). While both have an interest in the ways in which political institutions shape political outcomes, historical institutionalism also examines non-political institutions as well as political institutions (Amenta 2005:104; Thelen and Steinmo 1992:2, 10) and emphasizes the importance of historical trajectories and contingencies (Amenta 2005:103-104; Hacker 1998:70; Immergut 1998:19). Nonetheless, my discussion in chapter 2 includes historical institutionalists who are making claims that fit with the premises of political institutionalists.

revival of interest in political parties and their social bases (e.g., Baldassari and Gelman 2008; Chen 2007; Manza and Brooks 1999; see Mudge and Chen 2014:307, 312, 314-320).

In my dissertation I develop a theory of political decision-making to explain why states are more or less capable of reaching political decisions (such as creating new laws). In my theory, efficient political decision-making and total political gridlock are conceived as opposite ends of a spectrum, with the outcome being the level of gridlock. A higher level of gridlock means that more political decisions are delayed or blocked entirely.

To build my theory of political decision-making, I draw primarily on the works of political institutionalists (e.g., Amenta 1998), but also utilize ideas from other sociologists and political scientists (e.g., Dahl 1967; Lipset 1960; McCarty, Poole and Rosenthal 2006). My overall argument is that the capacity for political decision-making is influenced by the conjuncture of three factors. These factors are 1) the number and location of *veto points* in the state, and 2) the pattern of partisan control of the government, and 3) the extent of alignment of political parties with social and ideological cleavages. First, the more *veto points* that exist within a government (Immergut 1990:396) – formal points at which political proposals can be stalled or blocked – the greater the power of the opponents of those proposals, and greater the chances for gridlock. Second, the more that the control of these veto points is divided between different parties, as opposed to controlled by a single party, then the greater the chances of gridlock. Third, the more that partisanship becomes more closely linked with social cleavages (like race and class) and ideological cleavages (like liberalism vs. conservatism), the greater the intensity of partisan conflicts, and more likely that gridlock will occur. Given all three conditions, then, political decisions are very likely to be blocked—in other words, state capacity will be undermined. Furthermore, my theory specifies the ways that these factors work in conjunction

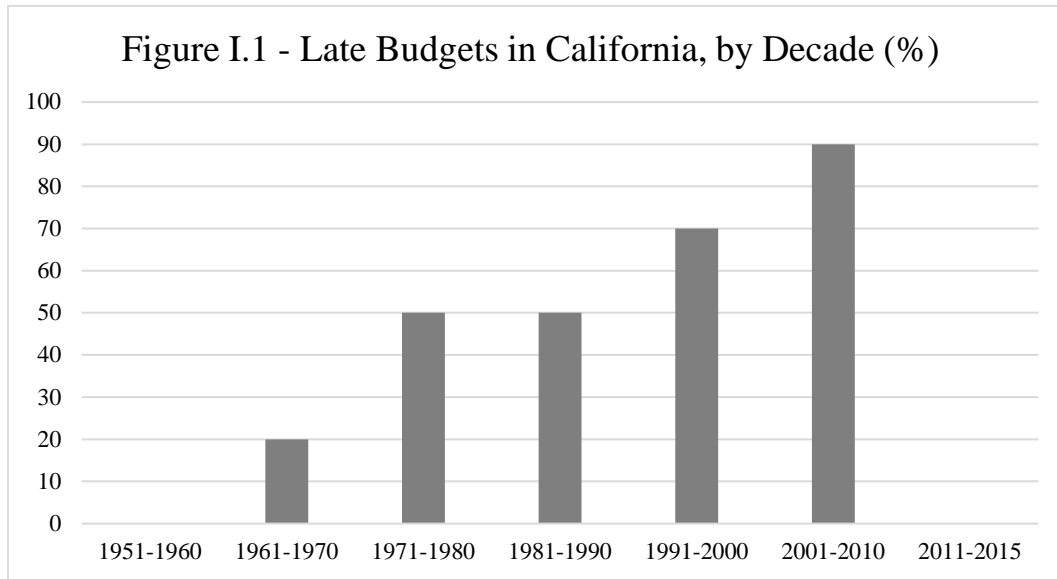
with one another, not just in isolation. At the same time, my theory of political decision-making is general enough to be applicable to a wide range of contexts – other states within the U.S., the federal government, and even other countries. Additionally, my theoretical framework contributes to a better integration of the work of political sociologists who study a range of issues (e.g., Amenta 1998; Chen 2007; Huber and Stephens 2002) with the work of political scientists who study gridlock in particular (e.g., Binder 1999, 2002; Cummins 2012; Jones 2001a, 2001b).

The Case of Budget Gridlock in California

California's budget gridlock is an ideal case for assessing the key claims of my theory of political decision-making. As mentioned above, from 1969 to 2010, California's state government was increasingly unable to enact its budgets on time (DOF 2015; Wilson 2011; see Figure I.1, page 6). Budget delays imposed negative consequences on Californians, such as preventing students from receiving financial aid, halting payments to low-income healthcare providers, and leading to furloughs for state workers (see Bluth 2003-06-26; Lin 2008-07-11; Yamamura 2010-08-29, 2010-09-15; Yamamura, Wiegand, and Sanders 2009-07-01). However, since 2010, California's government has managed to enact all of its budgets on time, in sharp contrast to the record-breaking gridlock of the previous decade (DOF 2015).

Hence, I seek to explain variation in *budget gridlock* in California, i.e., variation in the frequency and length of budget delays. This variation in the outcome – increasing gridlock from 1969 to 2010, follow by on-time budgets since 2010 – makes California a useful case for understanding variation in the capacity of governments to reach political decisions. By analyzing the causes of the rise of budget gridlock in California, followed by its recent disappearance, I can

assess whether the theory of political decision-making I have developed can account for why governments are more or less capable of making decisions in a timely manner.



To preview my empirical findings, I argue that the rise of budget gridlock in California was caused primarily by a conjuncture of three factors. First, two veto points were created (through popular initiatives) in the 1960s and 1970s, a supermajority requirement for passing budgets (and most other spending bills) and a supermajority requirement for raising taxes. *Supermajority requirements* are legislative rules that stipulate that *more than* a majority of legislators are necessary to make an affirmative decision. In the case of California, the supermajority rules made it so budgets could only be passed, and taxes could only be raised, with at least two-thirds of legislators voting yes (as opposed to just half of legislators). Second, neither party simultaneously controlled the Governorship and held two-thirds of the seats in both houses of the legislature; thus, there was persistent *divided partisan control* of the various veto points in the political process. Third, since the 1960s, the two major political parties – Democrats

and Republicans - became increasingly distinct in terms of their social bases and their ideologies. In conjunction with one another, these three conditions largely account for the dramatic rise of budget gridlock from 1969 to 2010.

I will argue that the combination of two changes largely accounts for the disappearance of gridlock since 2010: the elimination of the supermajority rule for budgets, and the shift to unified control of the budget process by Democrats. Voters' decision, in the 2010 election, to erase the supermajority rule took away the veto point that had been central to budget conflicts in prior decades. In conjunction with voters' decision to elect a Democrat to the governorship, Democrats gained full control over the budget process. Even though Democrats and Republicans remained highly divided, Republicans lost the structural opportunity to block budgets, and the prospects for efficient budget-making greatly increased.

In my empirical chapters, I will also discuss two ways in which my overall explanation for budget gridlock in California deviates from my theory. First, I found that the state's fiscal conditions – particularly the size of budget surpluses/deficits – were important for explaining variations in the length of budget delays. Budget gridlock was more likely to occur when the state faced a large deficit than when it faced a surplus. Second, I found that partisan polarization in California was “*asymmetric*” (Manna and Ornstein 2013:51), meaning that the two parties were not equally extreme. Elected Republicans adopted more hardline positions than their Democratic counterparts; for example, I will discuss how nearly all Republicans refused to raise taxes under any circumstances during the 2000s, and Republicans that did vote for tax increases were punished by members of their own party. Republicans' sharply negative views towards many government programs and regulations also made them more willing to obstruct the budget process than Democrats.

My work is complimentary to fiscal sociology, the study of the causes and consequences of taxation (Martin and Prasad 2014:332; Martin et al. 2009:1-4, 14). Regarding the causes of tax policy, my study explores the factors that led to the success of Proposition 13 (1978), which instituted a large property tax cut and a 2/3rds rule for raising taxes in the legislature (Lo 1990; Martin 2008; Sears and Citrin 1985), and the reasons why California's government had so much difficulty raising taxes in the 2000s as a response to the huge budget deficits that appeared in this period. Regarding the consequences of tax policy, I explore the effects of Proposition 13 on subsequent tax policy outcomes. For both, my study is complimentary to the work of Martin (2008, 2009), but points to the importance of the institutional structure of political decision-making for understanding tax policy outcomes. In this way, I add to the body of knowledge regarding the causes and consequences of tax policy (e.g., Martin 2008; Prasad 2006), and suggest that future research in fiscal sociology should focus more on the structure of political decision-making.

In addition to the causes and effects of tax policy, fiscal sociologists are interested in fiscal crisis, a concept that refers to persistent gaps between states' revenues and their expenditures (Block 1981:1-2; Krippner 2011:18, 92; O'Connor 1973). My study pertains to this topic in two ways. First, it indicates the importance of institutional structures for whether or not governments are able to resolve fiscal crises. Second, the case of California appears to be consistent with the argument that fiscal crises can provoke further conflicts and weaken the legitimacy of states (e.g., Krippner 2011:19; Martin and Gabay 2013:108, 111-114, 119, 123), although more research is needed to evaluate this claim.

My study of the causes of budget gridlock in California (and its disappearance) also is relevant for understanding political gridlock in other contexts. I will argue that my study of

California's budget gridlock sheds light on the causes of political gridlock in the United States as a whole in two ways. First, the case of California shows how the structures of political institutions give greater power to the opponents of legislation than to their supporters; this poses a clear problem when legislation is necessary for the continuing functioning of government (such as enacting the budget). The second way that the case of California sheds light on the larger problem of political gridlock is that, in many ways, California was a forerunner and microcosm of the broader demographic and political changes that have occurred in the United States in the last 50 years – the increasing foreign-born population, the rise of anti-tax conservatism, the realignment of the political parties, and so on. Thus, as I will argue, an in-depth study of the causes of budget gridlock in California has implications for understanding why political gridlock occurred in the U.S. political system as a whole during the last 50 years.

Chapter Summaries

In Chapter 1 I will review existing theories of politics and present my own theory of political gridlock. I draw key concepts and claims from Weber ([1992] 1978a, Weber [1992] 1978b), political institutional theories (e.g., Skocpol 1992; Mann 1993), and other sociological theories of politics (e.g., Lipset 1960). Next, I will review three theories of political gridlock developed by political scientists: divided government theory (Coleman 1999; Cutler, 1988; Sundquist 1988), pivotal politics theory (Brady and Volden 1998, 2006; Krehbiel 1996, 1998), and polarization theory (Jones 2001b; McCarty, Poole and Rosenthal 2006). Then I will present my own theory of political decision-making, which synthesizes elements from prior works.

In Chapter 2 I will give an overview of my empirical case, the rise of budget gridlock in California from 1969-2010 and its disappearance since then. Following that, I will discuss the

few existing works on budget gridlock in California (e.g., Cummins 2012; Rosenberg 1993; Thorson, Vechten and Webster 2010) and how my study improves on the existing literature. In the next section I will describe my analytic strategy for answering my research questions, which involves three parts: a broad historical narrative analysis of the rise of budget gridlock (1933-1998), more detailed narrative analyses of budget processes and episodes of gridlock between 1999 and 2014, and a comparative analysis of variation in gridlock between 1999 and 2014.

In Chapter 3 I will use historical narrative analysis to trace and account for the rise of budget gridlock from 1969 to 1998. I begin in 1933 with the creation of a supermajority rule to enact budgets and discuss the evolution of this rule in the 1960s. I also discuss the creation for a supermajority rule for raising taxes in 1978, as part of voters' approval of Proposition 13. However, I argue that these supermajority requirements were not a sufficient condition for the increasing budget gridlock of the late 20th century. Rather, budget gridlock became an increasing problem during the 1970s through the 1990s due to the combination of these institutional rules with two other factors: and divided partisan control of the key decision-making points within the state government, and increasing partisan polarization amongst the electorate and partisan officials. All three were necessary conditions for the pattern of increasing budget gridlock in California, and the growing polarization of the two parties largely accounts for the increasing length of budget delays during this time period (1969-1998).

In Chapter 4 I will provide a detailed analysis of the causes of budget gridlock under Governor Davis (1999-2003), which was ultimately linked with the recall campaign that abruptly ended his second term. To preview my findings, the combination of numerous veto points, divided partisan control, and high partisan polarization were necessary for and conducive to gridlock, but they did not inevitably produce gridlock, as shown by the first two years of Davis'

governorship. An additional factor, the state's fiscal conditions, is necessary to account for why the state passed on-time budgets in some years but not others. When state revenues plummeted during the recession of the early 2000s, partisan conflict intensified and budgets were delayed in 2001-2003. Thus, Chapter 4 will show how fiscal conditions combined with the factors outline in my theory to produce stalemates over budgets.

My fifth chapter explains the causes of, and variation in, budget gridlock under Governor Schwarzenegger (2004-2010), which reached its most severe point in 2010. I will show that numerous veto points, a greater dispersion of partisan control, and high polarization were strongly conducive to gridlock in this period, and led to budget delays in all but one of the seven years of Schwarzenegger's governorship. I will also show that increasing partisan polarization and changes in fiscal conditions help account for variation in the length of budget delays from year to year during this time period (2004-2010). My narrative analyses indicate that fiscal conditions affected the chances for budget gridlock in conjunction with the high degree of polarization; large budget deficits brought ideological disagreements between Democrats and Republicans to the foreground, intensifying partisan conflicts.

Chapter 6 will describe the budget processes during Governor Brown's third term (2011-2014), which differed starkly from the prior decade in that all budgets were enacted on time. I will show the combination of two changes explains this dramatic shift towards efficient political decision-making: the elimination of the supermajority rule for budgets, and the shift in control of the Governorship from Republicans to Democrats. These findings support my theoretical claims regarding veto points and patterns of partisan control; the removal of veto points and the shift to unified control of the budget process greatly increased the prospects of efficient political decision-making (or, conversely, greatly lowered the chances of gridlock).

Chapter 7 will present my comparative analysis of budget gridlock in 1999-2014. Here I compare the budget processes during the Davis Years (1999-2003) and the Schwarzenegger Years (2004-2010), then compare the budget processes of the Davis Years (1999-2003) with those of Governor Brown's third term (2011-2014). My comparative analysis will show how differences in the extent of partisan polarization and in the state's fiscal conditions account for much of the difference in the level of gridlock between the Davis Years and Schwarzenegger years, with control of the governorship of lesser importance. Comparing between Davis's governorship (1999-2003) and Brown's third term (2011-2014), I will show that the elimination of the supermajority rule for budgets in 2010 accounts for why there was no gridlock during Brown's third term as opposed to a moderate level of gridlock under Davis. More generally, this comparison will show how changes in the presence of veto points has a strong influence on the prospects for efficient political decision-making.

Lastly, in the Conclusion I will assess my theory of political decision-making based on the findings from the preceding chapters. Then I will discuss the broader relevance of my study for political sociology and the sub-field of fiscal sociology. Lastly, I will discuss what my dissertation means for the current literature on political gridlock and for future work on this topic. In regards to the latter, I will argue that the theory of political decision-making I present in this dissertation can be used to analyze political conflicts and gridlock in other cases, such as the 2013 debt ceiling crisis (Montgomery and Helderman 2013; Sinclair 2014:715, 718-9; Wallach 2015; Weisman and Parker 2013).

Chapter 1: A Theory of Political Decision-making

This chapter presents a general theory of political decision-making, intended to account for why governments are more or less efficient in making policies, appointing officials, and reaching other decisions, i.e. the level of *political gridlock*. I begin by reviewing theories of political sociology that seek to account for the creation of new policies and other formal political outcomes. From these I draw three implications for developing my own theory. I also draw some elements from three existing theories of political gridlock developed by political scientists. Lastly, I present my own theory, organized around three theoretical propositions. To preview my argument, I contend that 1) the greater the number of veto points, the greater the chances for gridlock, 2) when veto points are controlled by different parties, gridlock is more likely to occur, and 3) the more that parties are aligned with social and ideological cleavages, the higher the chances for gridlock.

Sociological Theories of Political Outcomes

In this section I draw primarily on the works of Max Weber ([1922] 1978a, [1922] 1978b) and political institutionalists (e.g., Amenta 1998; Mann 1993) to set up my own theory of political decision-making. I focus on works that address the question, “What are the causes of formal political outcomes (e.g., the creation of laws and policies) in democratic national states¹?”

¹ My conceptualization of democratic national states builds on Mann (1992) and Weber ([1922] 1978a). According to Weber ([1922] 1978a), a state is a “compulsory political organization with continuous operations” that “successfully upholds the claim to the *monopoly of the legitimate* use of physical force in the enforcement of its order”. Following from Mann (1992), it is useful to relax Weber’s criteria so that the concept of state can be applied more widely; states *claim* a monopoly on the legitimate use of physical force to enforce their order over a territory and the people within it, but the ruled do not necessarily perceive their subordination as legitimate.

I also draw on ideas from cleavage theory (Dahl 1967; Lipset 1960) to address why partisan conflicts vary in intensity, a question that is largely outside the scope of political institutionalist theories.

In this section, I begin by describing the political institutionalist perspective in general, and then turn to an overarching claim that provides the framework for my own study, that *political institutions shape political conflicts and their outcomes* (Amenta 1998; Hacker 1998; Hall 1986; Huber and Stephens 2001; Mann 1993; Orloff and Skocpol 1984; Skocpol 1992; Tichenor 2002; Weir and Skocpol 1985; Weir, Orloff and Skocpol 1988). Next, I describe three specific implications from these works for developing my own theory of political decision-making:

1. The greater the number of veto points within the government, the greater the power of opponents of political decisions, and thus the greater the chances that decisions will be blocked (Amenta 1998; Hacker 1998; Immergut 1990; Steinmo and Watts 1995; Tichenor 2002).
2. When different parties control veto points in a government, political decisions are more likely to be blocked than when a single party controls all of the veto points (Chen 2007; Immergut 1990, 1992).
3. The greater the degree of alignment between parties, social cleavages, and ideological divisions, the greater the intensity of political conflicts (Dahl 1967; Lipset 1960).

Following from the sociological definition, the “states” in the U.S., as the term is commonly used (e.g., “the state of California”), are sub-units of the broader *national* state. However, it would be too tedious to replace the common American usage of the term “state” in the U.S. with some other term. Thus, I will use the term “state” in the conventional sense despite the potential confusion with the sociological definition of “the state”. On the other hand, I will use the term “government” to refer, more specifically, to the law-making organizations within states - the legislature and executive - as distinct from other parts of states (militaries, civilian bureaucracies, etc.).

The Political Institutional Perspective

My theory of political decision-making draws from the broader perspective of *political institutionalism*, which argues that the structures of political institutions shape political outcomes (Amenta 1998, 2005; Mann 1993)². In other words, once various types of political institutions are established by actors, they have both intended and unintended effects on subsequent political outcomes (Amenta 2005; Hall 1986; Mann 1993; Skocpol 1992; Thelen and Steinmo 1992).

Before proceeding with this specific theoretical argument, I will define some basic terms. *Institutions* are the “formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals” (Hall 1986:19). This definition includes both formal organizations and informal rules and procedures (Thelen and Steinmo 1992). Institutions are reproduced through routinized actions that sustain their particular pattern of social interaction and counteract departures from this pattern (Jepperson 1991:145). For this reason, institutions persist over time unless they are disrupted by collective action or environmental shocks (Jepperson 1991).

More specifically, *political institutions* can be defined as the various parts of states and their respective party systems (Hall 1986). First, the state itself is an institution, but is not unitary; it consists of various interconnected organizations that comprise the state (the government, the civilian bureaucracy, the military, the courts, etc.) and the established relationships between them (Mann 1993). Second, the party system and the party organizations

² Strictly speaking, Mann (1993) calls this perspective “state institutionalism”, but it is synonymous with “political institutional theories” Amenta (2005). Following from Mann (1993) and Amenta (2005), I will treat political institutionalism as a distinct perspective on politics. Most scholars who fit within this broad theoretical camp did not or have not self-identified as ‘political institutionalists’, but “political institutionalism” is a useful analytical category for drawing out the common arguments of these various theorists. Political institutional arguments have appeared within “state-centered” theories (Orloff and Skocpol 1984; Skocpol 1985, 1988, 1992; Weir, Orloff and Skocpol 1988), and in “historical institutionalism” (Hacker 1998; Hall 1986; Steinmo and Watts 1995; Thelen and Steinmo 1992; Tichenor 2002). Since these arguments are so similar, I will include these works in the following discussion.

that comprise it are also political institutions. The party system (or political system) is “the complex of political organizations that compete for office or the right to represent the views of social groups and the rules under which they operate” (Hall 1986:271). The party system can be thought of as an arena of political competition “close to but slightly separate from the state” (Hall 1986:271) and the established political parties, interest groups, and relationships between them. Political institutional theories view these political organizations as institutions that constrain and enable particular courses of action, not just as collective actors.

As discussed in the following sub-sections, the overarching claim that I draw from political institutionalism is that *the structures of institutions shape conflicts and their outcomes* (e.g., Hall 1986; Mann 1993; Thelen and Steinmo 1992). I also draw on two more specific claims regarding the influences of political institutions:

Institutions, Political Conflicts, and their Outcomes

An overarching claim from political institutionalists, which provides a framework for my own study, is that *the structures of political institutions shape political conflicts and their outcomes* (e.g., Amenta 1998; Hacker 1998; Mann 1993; Skocpol 1992). This claim incorporates the assumption, from both neo-Marxian and neo-Weberian theorists, that conflicts between groups are a central factor for explaining political outcomes (e.g., Domhoff 2010; Huber and Stephens 2001; Lipset 1960; Lipset and Rokkan 1967). Weber ([1922] 1978a) defined *conflict* as a social relationship that involves – to a certain extent – action that is oriented intentionally to carrying out the actor’s will against the resistance of others. Conflict can be regulated by an established order, such as the rules of an organization in which a conflict takes place; in this case, actors’ selection of means and ends are oriented to the established rules. Following from

Weber, institutionalists view political conflicts as conditioned by the established structures of political institutions (Hall 1986; Mann 1993; Thelen and Steinmo 1992); these institutions shape the struggles between actors and, in so doing, influence the outcomes of these struggles (Thelen and Steinmo 1992).

Proceeding from this overarching claim, that political institutions shape conflicts and their outcomes, a major way in which they do so is by influencing the distribution of *power* (Amenta 1998; Hacker 1998; Hall 1986, Immergut 1990; Steinmo and Watts 1995; Tichenor 2002). As defined by Weber ([1922] 1978a), *power* is the likelihood that one person – or a group of persons – can carry out their will despite the resistance of others. In other words, power is the probability that one person or group will be able to do or get what they want despite what others want.³ Domhoff (2010:18) adds that the exercise of power determines “who wins” a given conflict, leading to policies that some actors prefer over others, blocking policies that some actors oppose, and so on.

Political institutionalism posits that the configuration of institutions can unequally distribute power, giving some actors more influence at the expense of other actors (Amenta 1998; Hacker 1998; Hall 1986, Immergut 1990; Steinmo and Watts 1995; Tichenor 2002). A forerunner for this argument comes from Max Weber (1978a, 1978b), who theorized that institutions define formal positions of authority and give the occupants of these positions the ability to command others (Weber [1922] 1978a: 53). Weber (1978b) also discussed how the structure of the state influenced the distribution of power *between* the executive, legislators and members of the bureaucracy, specifically looking at the case of Weimar Germany (also see

³ The concept of conflict, for Weber ([1922] 1978a:), implies the exercise of power. Another key point is that power can derive from a variety of sources and is an important aspect of most social relationships (Bendix 1960; Weber [1922] 1978a; [1922] 1978b).

Bendix 1960). More recently, scholars (Hall 1986; Immergut 1990, 1992; Steinmo and Watts 1995; Tichenor 2002) have argued that political institutions also shape the distribution of power amongst *non-state* actors – such as members of social classes and organized interest groups.

Many institutionalists have addressed the extent to which decision-making is centralized within a polity (e.g., Skocpol 1992; Steinmo 1993; Weir and Skocpol 1985; Weir et al. 1988), which conditions the distribution of political power (Amenta 1998; Hall 1986; Immergut 1990; Steinmo and Watts 1995; Tichenor 2002). National states are more decentralized to the extent that there are separate decision-making institutions at the national level (e.g., the “separation of powers” in the U.S.) and to the extent to which there are subnational levels of government (i.e. states, provinces, etc.) that are autonomous from the national/federal government (Amenta 1998). Decision-making can also be decentralized through other arrangements, such as when key policymaking decisions are made by particular committees within a legislature (Steinmo 1993; Tichenor 2002). Political institutionalists contend that these dimensions of decentralization have consequences for which policies are enacted and how they are implemented (Amenta 1998; Hall 1986; Huber and Stephens 2001; Immergut 1990; Skocpol 1992; Steinmo 1993; Steinmo and Watts 1995; Tichenor 2002; Weir and Skocpol 1985; Weir et al. 1988). Yet the extent of (de)centralization really involves two aspects of political institutions: the dispersion of authority to make decisions, and the authority to block or veto the decisions of other actors. For this dissertation, the focus will be on the second aspect, and will address this through the concept of *veto points* (Amenta 1998; Hacker 1998; Immergut 1990; Steinmo and Watts 1995).

Veto points and the Distribution of Power

Political institutionalists have argued that *the greater the number of veto points within the government, the greater the power of actors to block political decisions* (Amenta 1998; Hacker 1998; Immergut 1990; Steinmo and Watts 1995; Tichenor 2002). According to Immergut (1990:396), *veto points* are formal locations in the chain of political decision-making at which legislation (or other decisions) can be blocked. The *power* of interest groups is conditional on their access to these veto points (Immergut 1990:396, 398; 1992:8); when institutions change and these veto points disappear, interest groups can lose their previous influence. Furthermore, the presence of veto points shapes the strategies of interest groups (Immergut 1990:398-399, 404, 413); interest groups are more likely to compromise with other actors on policy reforms if they cannot take advantage of veto points (either in the legislature or in the form of popular referenda).

A number of studies have shown how veto points influence the development of government policies (Hacker 1998; Huber and Stephens 2000, 2001; Huber, Ragin and Stephens 1993; Immergut 1990, 1992; Maioni 1998; Moller et al. 2003; Steinmo and Watts 1995; Tichenor 2002). Immergut (1990:392-393) sought to explain differences in the healthcare systems of Switzerland, France and Sweden: Whereas the Swiss state subsidizes private insurance, France has compulsory public insurance and Sweden has a de facto national health service where most doctors work for government in public hospitals. In all three countries similar policies were proposed, and doctors opposed these plans in all three cases, but outcomes diverged. Immergut (1990:395-397, 403) argues that these differences in healthcare policy are explained, in part, by differences in political institutions between the countries and by *changes* in the structures of institutions over time. In particular, the presence or absence of veto points

against executive policies – in the parliament and in the form of popular referenda – account for differences between the cases. In France, during the Third and Fourth Republics, the political structure created a highly fractionalized parliament with low party discipline and unstable parliamentary coalitions (Immergut 1990:399, 1992:81, 103, 112, 126). In this institutional context, interest groups – like doctors – were able to influence members of parliament to block executive healthcare proposals by threatening to disrupt the governing coalition. However, the new constitution of the Fifth Republic concentrated decision-making power in the executive branch, removing the veto point of parliament on executive policymaking (Immergut 1990: 400-402; 1992:113-115, 127). This change in institutional structure allowed the de Gaulle government to bypass parliament and institute sweeping healthcare reforms that previously had been blocked.

According to Immergut (1990:409; 1992, 180, 183-194, 191), the chief institutional barrier to healthcare reform in Sweden was its bicameral parliament, with an indirectly elected First Chamber to counterbalance the directly elected Second Chamber (based on proportional representation) (Immergut 1990:409). However, this institutional obstacle was overcome by one party – the Social Democrats – gaining control of all three branches, which will be discussed in the following section. Of the three cases Immergut (1990, 1992) studied, Switzerland’s political system had the most veto points, which accounts for why it has the most limited national healthcare policy of the three countries (Immergut 1990: 403-404, 408). The most crucial of these veto points was the popular referenda system; on several occasions interest groups used the referenda system to mobilize voters to block the establishment of national health insurance (Immergut 1990:403; 408; 1992:129-131). In summary, Immergut’s (1990, 1992) study provides strong support for her claim that veto points shape the fate of legislative proposals.

Drawing on Immergut (1990, 1992), Steinmo and Watts (1995:329) argue that national health insurance was never established in the United States because the decentralized structure of the U.S. government gives “enormous power to intransigent interests groups” that have opposed reform proposals. Steinmo and Watts (1995) discuss the history of healthcare reform efforts and identify a number of veto points within the U.S. government that have been utilized to block healthcare reform, such as the veto power of Congressional committees that existed through much of the 20th century and the existence of the Senate filibuster (by requiring a supermajority of at least 61 out of 100 Senators to pass a bill).⁴ Maioni (1998) also addressed the failure of national health insurance proposals in the U.S., but did so by comparing the U.S. to Canada, where national health insurance was established. Maioni (1998) argued that the crucial difference between the two cases was the prevalence of veto points; American political institutions included multiple veto points that hindered major reform, whereas in Canada the lack of veto points facilitated major reform. Both the separation of powers and the committee system provide multiple veto points on policy and thus hindered the chances for major policy changes. More specifically, these institutional features allowed the medical lobby to engage in a divide-and-conquer strategy to block the healthcare reforms proposed by Presidents. In contrast, Canada’s parliamentary government encouraged strong party discipline and thereby prevented the legislature from vetoing the policies promoted by party leaders. Such a system was favorable to

⁴ Steinmo and Watt’s (1995) argument (and the similar argument from Hacker 1998) have now been partially eclipsed by the 2010 enactment of Obamacare, which expanded national health insurance coverage. However, their arguments continue to be applicable because Obamacare did not genuinely establish a system of full insurance coverage for American citizens. Several votes necessary to pass Obamacare in the Senate came at the cost of a public insurance component of the law.

the proponents of national health insurance, which helps to account for why reform was successful in Canada but not in the United States.⁵

Several quantitative studies have also supported the claim that the presence of veto points influences political outcomes, specifically on various measures of social spending (Huber, Ragin and Stephens 1993; Huber and Stephens 2000, 2001; Moller et al. 2003). Huber, Ragin and Stephens (1993) examined differences in welfare state efforts between 17 advanced industrial countries. They constructed a composite measure of veto points based on a number of institutions that “disperse political power” (Huber, Ragin and Stephens 1993:722): federalism, presidential government, strong second chambers in legislatures, single-member-district electoral systems, and referenda systems. They found that the number of veto points had a significant, negative effect on various measures of welfare state effort. Similarly, Huber and Stephens’ (2000) study of 16 industrialized countries from 1962 to 1987 found that multiple veto points inhibited the expansion of welfare state services. Likewise, Moller et al. (2003) found that governments with more veto points have less redistribution than governments with fewer veto points.

Huber and Stephens (2001) provide evidence for how veto points influenced social policy development during two eras: the period of welfare state expansion (roughly 1945-1980) and the period of retrenchment since 1980. During the post-war period of welfare state expansion, national states with many veto points (such as the U.S.) had less expansion than those with few or no veto points (such as Britain). However, in the period of welfare state retrenchment, the same veto points *hindered* attempts to scale back welfare states. In national states with many

⁵ Hacker (1998) makes a similar argument in explaining the different fates of national health insurance proposals in Britain, Canada and the U.S.

veto points (like Switzerland) retrenchment was blocked by leftwing political action. Only in national states with few veto points (like New Zealand) was sharp retrenchment implemented.

Beyond studies of health and welfare policies, Tichenor's (2002) study of the historical development of U.S. immigration policy linked policy changes to changes in the structure of political authority. Drawing on Steinmo and Thelen (1992), Tichenor (2002) argued that, overall, the fragmented structure of political authority in the U.S. provides multiple veto points which have been an enduring obstacle to immigration reforms. However, changes in the structures of political institutions -- "institutional dynamism" (Tichenor 2002, p.8) -- have led to shifts in the opportunities for reform. For example, in the early 20th century Congress was re-structured to redistribute power from party leaders to the chairmen of congressional committees. By controlling key committees, restrictionists were able to block reform proposals from expansionists through the 1930s. However, the weakening of the committee system following World War II weakened the ability of restrictionists to block reforms, thereby shifting the balance of power to expansionists and allowing them to enact the major immigration reform of 1965 (Tichenor 2002). In this way, Tichenor's (2002) study shows how the elimination of veto points can increase the chances of success for political proposals.

In sum, there is strong evidence for the influence of veto points on political outcomes (e.g., Huber and Stephens 2001; Immergut 1992; Tichenor 2002). However, veto points and other aspects of political institutions cannot account for variations in political outcomes that occur under the same institutional configuration. Political institutionalists have put forward the concept of "institutional dynamism" (Thelen and Steinmo 1992:16; Tichenor 2002) to refer both to changes in the structures of political institutions *and* in the effects of institutions as other political conditions change. In regards to the latter, the effects of institutions can be altered by

changes in the factions that control decision-making institutions and by changes in the configurations of political coalitions (Amenta 1998; Immergut 1990, 1992; Thelen and Steinmo 1992; Tichenor 2002). I address these two possibilities in the following sections.

Partisan control of veto points

Drawing on the *sociology of parties* (Mudge and Chen 2014), in this dissertation I focus on *political parties* as the central actors in political conflicts. Weber ([1922] 1978b) described *political parties* as organizations that compete for political power and that typically represent the interests of social classes and status groups, although they also pursue their own interests. Echoing Weber's ([1922] 1978b) concept of parties, Lipset and Rokkan (1967) describe parties as alliances of groups that are in conflict with one another over policies and values within a society. In order to gain political control, major political parties must incorporate groups across cleavages, often uniting groups with diverse (and contradictory) interests around their "greater hostility" towards the other parties (Lipset and Rokkan 1967:6). In turn, the composition of the party coalitions – i.e. the set of citizens that vote for each party – influences the parties' strategies and the policies that they seek to enact (Lipset 1960; Manza and Brooks 1999).

Immergut (1990) and Chen (2007) have advanced the claim that *the partisan control of veto points* influences the outcomes of political struggles. Immergut (1990:396; 1992:27) argues that policy reforms are more likely to occur when the same party controls both the executive and legislature, and when it can effectively exert party discipline over its members. On the other hand, policy reforms are less likely when executives are unable to rely on a stable, disciplined majority in the legislature. Thus, the partisan composition of government influences whether or

not veto points are obstacles to legislation. Chen (2007:1173) states, even more explicitly, that the “partisan control of veto points” is a determinant of whether or not policies are enacted.⁶

Studies from Immergut (1990, 1992), Chen (2007) and Hertel-Fernandez (2013) provide support for the claim that which parties control the veto points in a government affects the prospects of policy reform. Immergut (1990, 1992) conducted a comparative analysis of the development of healthcare systems in France, Sweden and Switzerland. In the early twentieth century, Sweden’s political structure consisted of a bicameral parliament, with an Upper House that was indirectly elected (Immergut 1990:408-409). Within this structure, the Upper House – controlled by Conservatives - constituted a veto point on legislation supported by the prime minister and Lower House (Immergut 1992:183, 184, 191). In 1932, the Social Democrats – in alliance with the Farmer’s Party – gain control of both houses of parliament and the executive (Immergut 1990:396, 409; 1992:184). This electoral realignment negated the importance of the Upper House as a veto point, allowing the Social Democrats to establish national health insurance and enact other healthcare reforms in the three decades after World War II (Immergut 1990:409-411; 1992:179, 184). In contrast, in France reforms were blocked during the decade after World War II (Immergut 1990:396-397; 1992:112). Even though the executive was chosen by parliament, parliament itself was fractured between many parties and MPs had a great deal of autonomy, and could cause the government to fall by exiting the parliamentary coalition (Immergut 1990:398-401; 1992:80, 81, 103). This meant that the parliament (and influential

⁶ While Chen (2007) contends that Immergut (1990) is interested in how *interest groups* use veto points, rather than *political parties*, a careful reading of Immergut (1990, 1992) shows that she saw the two as related: interest groups can maximize their power when different parties control the branches of government (as in Sweden before 1932), or when party discipline is weak and parliamentary coalitions highly unstable (as in France before 1958) (see discussion below for further details). This is quite consistent with Chen’s (2007:1726-1730) argument, since the qualitative evidence he reviews indicates that Republican opposition to FEP laws was influenced by the extent of pressure from business groups.

interest groups) could use parliament as a veto point to block healthcare reforms (Immergut 1990:396-401; 1992:112).

Chen (2007) analyzed the importance of partisan control of veto points in the context of the passage of anti-discrimination employment laws in the various states of the U.S. Between 1941 and 1964 (when the federal Civil Rights Act was enacted), 28 states enacted their own fair employment practice (FEP) laws, but some states did so more quickly than others and some states never enacted such a law (Chen 2007:1714, 1717-1718, 1739). Chen (2007:1715, 1733, 1760) argues that Republican Party control of veto points in government accounts for defeats and delays of the passage of FEP laws in non-Southern states. Chen (2007:1716, 1762) reviewed qualitative evidence and found that it supported this argument. As an example, he discusses the case of California, which did not enact an FEP law until 1959 (Chen 2007:1714, 1734-1736). Republican-controlled committees in the legislature blocked FEP bills throughout the 1940s and 1950s. In addition to control of key committees, Republican Governor Goodwin Knight's threat to veto FEP legislation stirred up legislative opposition and delayed the passage of the law. It was only after Democrats gained control of the legislature and the Governorship that the state finally enacted a FEP law (Chen 2007:1735-1736). Chen (2007:1738, 1740-1741, 1749, 1752) also uses event-history methods to test his hypothesis that Republican control of veto points inhibited FEP legislation. He found that Republican control of veto points had a significant, negative effect on the likelihood of FEP laws, controlling for other factors. (In his model, Republican control of veto points is measured by Republican control of either house of the legislature or the governorship).

Similarly, Hertel-Fernandez (2013:439, 458, 460) uses event-history methods to test if partisan control of veto points on the probability that states will index unemployment insurance

(UI) taxes to the growth in workers' wages, thereby helping to keep their unemployment insurance funds solvent. The UI tax on employers is applied to only a portion of workers' wages; for example, in California the UI tax is calculated for only the first \$7,000 in wages (Hertel-Fernandez 2013:442-443). If the "wage base" is not indexed to inflation, the share of taxable wages declines over time putting the solvency of a UI program in jeopardy (Hertel-Fernandez 2013:440, 443). However, only a third of the states have indexed the UI tax to wage growth (Hertel-Fernandez 2013:443). Hertel-Fernandez's (2013:465, 468) event-history analysis showed that Democratic Party control of veto points had a significant, positive influence on the chances of UI indexing. (Control of veto points is measured by a 3-point scale indicating whether or not Democrats control each chamber of the legislature and the governorship (Hertel-Fernandez 2013:460). The effect of partisan control of veto points is strikingly powerful: "A state with complete Democratic control of legislative veto points has a predicted probability of indexation that is about five times higher than the probability of indexation for a state with complete Republican control" (Hertel-Fernandez 2013:465). Hertel-Fernandez (2013:440, 460) explains this finding by arguing that when Republicans control one or more branches of government, they can block indexing as part of a strategy of "fiscal constriction" – reducing the tax base for social programs to achieve retrenchment of social programs.

In summary, several works have supported the claim that partisan control of veto points influences the outcomes of political struggles – in particular, whether political proposals will succeed or be killed. However, these works do not sufficiently address variations in the intensity of partisan conflicts, although both Immergut (1990, 1992) and Chen (2007) point to interest group pressure as a relevant factor. By *intensity*, I mean the amount of effort and involvement by the actors involved in a conflict (Dahrendorf 1959). Indicators of intensity include the extent to

which actors describe their “opponents as implacable enemies” to be defeated “by whatever measures may be necessary” (Dahl 1967:271); in very severe conflicts, this extends to the use of violence to literally destroy political opponents. To address variation in the intensity of partisan conflicts, I turn to works that address the relationship between partisanship, social cleavages, and ideological cleavages.

Parties, social cleavages, and ideologies

To understand why the intensity of conflict between parties varies, we need to turn back to the cleavage theory of the 1960s (Dahl 1967; Lipset 1960; also see similar ideas in Coser 1956 and Dahrendorf 1959).⁷ What I will call “cleavage theory” was put forth a number of useful

⁷ In the mid-twentieth century, there was a remarkable convergence of ideas in the neo-Simmelian functionalist conflict theory of Coser (1956), the neo-Marxist conflict theory of Dahrendorf (1959), the pluralist “conflict paradigm” of Dahl (1967), and Lipset’s (1960) eclectic theory of politics. Lipset (1960) in particular, represented this convergence as he drew on ideas from Marx, Weber, Simmel, *and* Dahl. Although Coser (1956) and Dahrendorf (1959) did not use the specific term of “social cleavage”, it is quite noteworthy how closely their arguments track Lipset (1960) and Dahl (1967). Here I provide brief synopses for those who are interested.

According to Coser (1956), (who draws heavily on Simmel), the pattern of individuals’ group affiliations in a society influences the intensity of social conflict. When individuals have multiple affiliations in groups with different memberships and distinct interests – such as, for instance, a union, a religious congregation and an ethnic club - multiple axes of conflict will crisscross each other. This multiplicity of conflicts tends to prevent any one conflict from becoming very intense. On the other hand, when individuals belong to multiple groups with overlapping memberships and mutually reinforcing interests, then society can break into two rival factions. The former situation – a multiplicity of conflicts – entails frequent but mild conflicts between groups, whereas the latter situation – one overriding conflict - entails severe conflict that threatens the cohesion of the society as a whole. Although Coser (1956) did not explicitly address political parties, the implication is that when partisanship becomes more strongly associated with social cleavages, conflicts will increasingly be fought along partisan lines, and the intensity of partisan conflict will increase.

While Dahrendorf (1959) drew on ideas from Marx and Weber’s conflict theories, not Simmel, some of his main claims bear a remarkable similarity to Coser (1956). Specifically, Dahrendorf (1959) argued that the more that different types of group conflicts are superimposed on one another, the higher their intensity. Dahrendorf (1959) explicitly defined *intensity* as the amount of effort and involvement by the conflicting groups involved in the conflict. Different types of conflicts – such as conflicts between classes or between religious denominations – become superimposed when the individuals that occupy rival groups in one conflict are the same individuals occupying rival groups in another conflict. To take the examples above, superimposition would mean that workers and capitalists that are engaged in industrial conflict are also involved in religious conflict against one another as Protestants and Catholics. Dahrendorf (1959) claimed that “When conflict groups encounter each other in several clashes, the energies expended in all of them will be combined and one overriding conflict of interests will emerge... [Quoting Marx] a “division of society into two large hostile classes” may indeed result. While Dahrendorf

concepts and presented the claim that the intensity of conflicts is influenced by the degree of alignment between partisanship, social cleavages, and ideological divisions (Dahl 1966a, 1967; Lipset 1960). Conflicts are less intense when partisanship is only weakly associated with social and ideological divisions in society. Conflicts are more intense when parties are sharply divided along lines of social and ideological cleavages.

Social cleavages are broad, long-standing divisions of individuals into distinct groups in a society (Manza and Brooks 1999). Social cleavages are rooted in the social structure, but also manifest (to varying degrees) as distinct forms of group consciousness and as forms of political mobilization. Social cleavages are a necessary, but not sufficient, condition for the emergence of enduring political conflicts in a society.⁸ The major social cleavages, which are found in many industrialized societies, are class divisions, racial/ethnic cleavages, religious cleavages, the gender divide and regional cleavages (Lipset 1960; Manza and Brooks 1999; Weber [1922] 1978b). In a given society, not all cleavages are equally influential on politics; rather, there is a hierarchy of cleavages in terms of their salience that is shaped by the historical trajectory of the society (Lipset and Rokkan 1967). However, Manza and Brooks (1999) contend that the importance of various cleavages for political conflicts can also shift over time.

More importantly for the present study, social cleavages are, to varying extents, connected with partisan divisions (Finegold and Skocpol 1995; Lipset 1960:220-2, 229, 275; Lipset and Rokkan 1967; Manza and Brooks 1999). Lipset and Rokkan (1967) are well-known

(1959) did not explicitly address political parties, the implication is that the more that partisan conflicts overlap with conflicts between various kinds of social groups, the greater the intensity of conflicts.

⁸ Unfortunately, despite being an important concept, the term *social cleavage* is not used consistently in the literature. Even in Manza and Brooks (1999), who provide the clearest definition of the concept, there is some inconsistency in its usage. For example, they speak of the “size of the race cleavage” to refer to differences in voting between racial groups (Manza and Brooks 1999; this might be better characterized as the size of the *effect* of the race cleavage on voting.

for articulating the view that party alignments are highly persistent; once certain groups are connected to political parties, these alliances – and the parties themselves – have a strong tendency to persist over time. In contrast, Manza and Brooks (1999) argue that the linkages between social cleavages and partisan divisions can *change over time*. Manza and Brooks (1999) draw on the concept of *realignment* from V.O. Key – a shift in support from one party to another party by a particular group, or by many groups – to show that social cleavages can become more or less aligned with partisan divisions over time.

Turning now to the theoretical claim that the intensity of conflicts is shaped by the alignment between parties, social groups, and ideologies, Lipset's (1960) *Political Man* provides the classical statement of this argument in political sociology (though it's worth noting that Lipset was affiliated with *both* sociology and political science). Lipset (1960) synthesized ideas from a surprisingly wide range of previous theorists, including Marx, Weber, Simmel, and Dahl. Lipset (1960) argued that the relationship *between* the party system and various social cleavages influences the severity of political conflicts: "...the chances for stable democracy are enhanced to the extent that groups and individuals have a number of crosscutting, politically relevant affiliations. To the degree that a significant proportion of the population is pulled among conflicting forces, its members have an interest in reducing the intensity of political conflict" (Lipset 1960:88-89). In other words, individuals will be less likely to uniformly support a political party and its positions, and more amenable to compromise, when the social cleavages that influence political behavior are "crosscutting". On the other hand, individuals will be more strongly attached to political parties and more inclined towards conflict when politically salient social cleavages are more aligned with one another (Lipset 1960:88, 90). Relatedly, Lipset (1960:88-90) argued that highly ideological politics is inhibited by cross-cutting cleavages,

whereas political extremism and intolerance are encouraged by reinforcing cleavages. Lipset (1960:90-1) also argued that, all else being equal, a two-party system was less conducive towards a strong alignment between partisanship and social and ideological cleavages, since both parties have to earn the support of broad coalitions in order to win office.

Dahl (1967:262), in *Pluralist Democracy in the United States*, proposed a more elaborate “conflict paradigm” that closely resembles Lipset’s (1960) argument. While much of Dahl’s other work is normative, in this book he laid out a theory for explaining empirical variations in the level of conflict in polities. According to Dahl (1967:270), “in every political system there is perpetual and unceasing conflict”, but these conflicts vary in intensity. Dahl (1967:277) argued that societies have multiple potential “lines along which... a conflict can take place” - divisions based on geography, ethnicity, economic position, religion and so on.⁹ Furthermore, Dahl argued that the way that these cleavages are related to one another, and to the party system, influences the intensity of conflicts (Dahl 1966a:369; 1967:277, 279-280). Conflicts become more severe as more social group-based conflicts, and ideological conflicts, occur along partisan lines. Conflicts are milder when there is only a weak association between partisan affiliation, social positions, and ideologies. (Dahl 1966a:382-383; 1967).

Dahl (1966a:369; 1966b:48; 1967:313, 326, 338, 369, 382-383) argued that, in the U.S., a prevailing pattern of cross-cutting cleavages in U.S. politics has a moderating effect on the level of political conflict and promotes incremental changes in policy. The high degree of cross-cutting cleavages means that particular conflicts fall along different lines than other conflicts,

⁹ Dahl’s (1967) use of the term “cleavage” is not always consistent with the use of the term “social cleavage” in Lipset (1960) and related works (Lipset and Rokkan 1967; Manza and Brooks 1999). When Dahl (1967) used the term “cleavage”, he was often referring to the division between two or more factions involved in a conflict. This usage can be termed an “issue cleavage” to distinguish it from “social cleavage” (Manza and Brooks 1999). Despite the terminological difference, Dahl’s (1967) argument does correspond to that of Lipset (1960). Dahl’s (1967) use of the term “lines” corresponds to the concept of “social cleavages”, and both Lipset (1960) and Dahl (1967) argued that these social divisions are potential bases of political conflicts.

rather than reinforcing partisan divisions. Like Lipset, Dahl also claimed that the two-party system itself was a check on the intensification of conflicts. The two political parties must each be responsive to a heterogeneous base of supporters, which makes them more oriented towards bipartisan compromises than towards partisan conflict (Dahl 1966a:382-383; 1967)¹⁰. Thus, political conflicts in America do not usually reach a level of severe or violent intensity (Dahl 1967:282, 326, 370).

However, Dahl (1966a:369; 1967) also described situations in which the typical pattern of U.S. politics is disrupted, when the overall alignment between partisanship, social and ideological cleavages increases. In these periods, party affiliation becomes more tightly linked to membership in social groups (Dahl 1966a:383; 1967), and party leaders and activists diverge in ideology (although the apolitical strata of society may not experience any shifts in attitudes (Dahl 1967). Dahl (1966a:383) described this change as a movement towards “full-scale political polarization” (while noting that the U.S. never had never reached the extreme end of the spectrum) and argued that such a condition leads political parties to engage in severe conflicts.

Dahl (1967) provided support for this argument by using the example of the U.S. Civil War. Dahl (1967) argued that in the mid-19th century, several different cleavage-based conflicts lined up with one another and with partisan conflict. The North-South regional divide became more aligned with religion when the Methodist Episcopal Church and Baptist churches split over the issue of slavery (Dahl 1967:289). The regional divide became more aligned with partisan divisions with the rise of the Republican Party, entirely based in the North, and the split of the

¹⁰ Dahl (1967:281, 326-327) also hypothesized that other political institutions influenced the severity of conflicts. In general, political institutions that require some consent and allow some opportunities for opposition have a moderating effect on conflicts. Political institutions that prevent decisions from being made without a high degree of consensus can exacerbate conflict, as can political institutions that allow some actors to reach decisions without any opportunities for other actors to influence the outcome. Unfortunately, he does not elaborate much on these hypotheses.

Democratic Party into the Northern Democrats and Southern Democrats (Dahl 1967:289, 312-313). Northerners and Southerners, and the political parties, became increasingly differentiated on a variety of issues (Dahl 1967:308-309, 313-314). As a result of the increasing alignment of partisan divisions with social cleavages and ideological disagreements, separate conflicts merged into a single, very severe conflict that split American society in two (Dahl 1967:311-312).

Rokkan (1966) also supports the argument that the patterns of political alignment influence the intensity of political conflicts. In a volume edited by Dahl, Rokkan (1966) described the series of realignments and conflicts that have occurred over the course of modern Norwegian history. In the late 19th century the political mobilization of the peasantry pitted the Left – a “coalition of rural populists and urban radicals” – against the Right, centered on “a small elite of officials and patricians” based in the cities (Rokkan 1966:75). This pattern of political alignment – along both territorial (center-periphery) and linguistic (urban dialect vs. rural dialects) - led to intense conflict and nearly brought the country to civil war (Rokkan 1966:75, 76-77). The conflict was mitigated by the decision of the King to allow the Left majority in parliament to select the Cabinet (Rokkan 1966:76). In the next 60 years, continued struggle between the Left and Right drew new groups into the conflict, but in doing so inadvertently heightened the significance of cleavages that cut across the party lines and produced a multi-party system (Rokkan 1966:76-78). The growth of conservative religious sects split the Left along religious lines, while the emerging class cleavage also split the Left on class lines (wage earners versus farmers and forest owners) (Rokkan 1966:78-79, 80). Within the nascent Labor Party, the split between urban and rural workers, and thus the need to appeal to a broad constituency, tended to restrain the radicalism of its program (Rokkan 1966:81, 82-83, 83-84). The Labor Party gained control of the government, in coalition with the Agrarian Party, in 1935,

and “presented a cautious program” in order to maintain control of the government and avoid uniting the parties of the center and right against it (despite pressure from left-wing splinter parties) (Rokkan 1966:84, 90-91, 92, 93, 95). The Right similarly split along class lines, with the emergence of the Agrarian Party and the Conservative Party (backed by urban businessmen). The opposition to the Labor Party remained divided into four parties on the basis of the religious cleavage (Christian sects versus dominant Lutheran Church) and the class cleavage (farmer organizations vs. the business community) (Rokkan 1966:93, 103). In this way, cross-cutting cleavages tended to attenuate polarization into two rival factions and the resulting intensity of political conflicts in the 20th century Norwegian political system.

Unfortunately, since the 1960s, works that draw on cleavage theory have largely disappeared (an exception is Manza and Brooks 1999), coinciding with a broader shift away from research on parties. While the sociology of parties is now being revived, few political sociologists have yet to re-engage with cleavage theory. However, recent work in political science on American politics – without referencing cleavage theory – provides support for its key claim. Stonecash, Brewer and Mariani (2003) also supports the claim that the intensity of conflict increases when parties become more aligned with social groups and ideologies. Their study links increasing *partisan polarization* in the United States, from the 1960s through the 1990s, to increasing conflict between Democrats and Republicans in the House of Representatives (Stonecash et al. 2003:xiii-xiv, 1-4, 12). By partisan polarization, Stonecash et al. (2003) are referring to the level of ideological differences between members of the two parties.¹¹ Over the

¹¹ It is important to clarify the usage of this term by the scholars cited in this chapter (e.g., Sinclair 2006; McCarty, Poole, and Rosenthal 2006; Stonecash et al. 2003). *Partisan polarization* is not meant to imply that Americans are, *as a whole*, more ideologically divided than in the past. The claim refers only to differences between Democrats and Republicans, not to the overall distribution of beliefs in the population. Too often, debates around whether or not polarization is occurring in the United States fail to distinguish between *partisan polarization* and *ideological*

latter half of the twentieth century, a series of realignments of social groups have, cumulatively, made the social bases of the two parties become more demographically and ideologically distinct (Stonecash et al. 2003:xiii-xiv, 18-19). The rapid expansion of black voting following the Voting Rights Act strengthened the alignment between blacks and the Democratic Party, and in response Southern whites shifted their support to the Republican Party (Stonecash et al. 2003:55-56, 82, 87). Across the nation, demographic changes – such as the increasing racial and class segregation of neighborhoods – widened the demographic differences between districts (Stonecash et al. 2003:28-29, 61-62, 68-71). On the district level, income, racial composition, and whether a district is urban, suburban or rural became stronger predictors of whether a Democrat or Republican is elected (Stonecash et al. 2003:28). Individuals' race and income level have also become stronger influences on partisan voting (Stonecash et al. 2003:88-90)¹². Additionally, individual voters have gradually sorted themselves along ideological lines, with liberals shifting to the Democratic Party and conservatives shifting to the Republican Party (Stonecash et al. 2003:18-19, 90). As a result of changes in the alignment between parties, social groups, and ideologies, elected Democrats and Republicans have increasingly diverged in ideology and partisan conflicts have become more intense (Stonecash et al. 2003:xiii-xiv, 1-12, 17, 86-87, 117-118). However, Stonecash et al. (2003) fail to disaggregate between partisan polarization amongst different populations – the broader electorate, party activists, and party elites – and the relationship between changes in polarization at these different levels.¹³

polarization in the broader public (Baldassari and Gelman 2008:409-410). Furthermore, increasing *partisan polarization* can occur without *ideological polarization*; this is referred to as partisan sorting).

¹² For further evidence of the increasing correlation between income and partisan affiliation, and between income and partisan voting, see McCarty et al. 2006).

¹³ A further weakness of Stonecash et al. (2003) is their tendency to conflate *partisan conflict* and *partisan polarization*. Stonecash et al. (2003) use *partisan conflict/polarization* to refer to both *partisan behavior* – such as

Like Stonecash et al. (2003), Sinclair (2006) argues that partisan polarization has made conflicts between the two major parties more intense in the last few decades, but does address the relationship between polarization amongst the broader electorate, activists, and leaders. According to Sinclair (2006), in the 1970s the two parties in Congress were not ideologically cohesive and did not vote as blocs. Democrats and Republicans frequently worked across party lines to achieve policy goals. By the 1990s, the parties had “segregated into hostile camps with very different and often diametrically conflicting ideas of what constitutes good public policy” (Sinclair 2006:3; also see Sinclair 2006:3-5). Sinclair (2006:34) argues that this shift began with the political realignment of the South from the mid-1960s to the 1980s. A vast number of conservative white Southern voters shifted their allegiance from the Democratic Party to the Republican Party (Sinclair 2006:14-20) and elected conservative Republicans to Congress, replacing the conservative Southern Democrats (Sinclair 2006:16). This shift had the effect of making the Democratic Party less conservative as a whole and the Republican Party more conservative as a whole (Sinclair 2006:16). Whites that remained Democrats tended to be more moderate than whites that shifted to the Republican Party, which – combined with the growing importance of black voters – meant that the remaining Southern Democratic politicians moved in a liberal direction (Sinclair 2006:18-19).

A similar process occurred across the country as a whole (Sinclair 2006:20-22, 28-29, 32-33). As in the South, the bases of the two parties across the country became more ideologically polarized (Sinclair 2006:20-22, 28-29). Additionally, differences between voters in terms of income and race are now more tightly connected with party affiliation than in the past, and

voting patterns, rhetoric, procedural and tactics – and to *ideological differences* between members of political parties. In this study, I reserve the term *conflict* for behavioral patterns (following Weber [1922] 1978a) while using the term *partisan polarization* to refer to social and ideological differences between members of the parties (see below for more details on my theoretical framework).

Democratic and Republican voters became more geographically separated from one another (Sinclair 2006:32-33).

Sinclair (2006:22-28) provides evidence that party activists became polarized to an even greater degree than average Democratic and Republican voters. Sinclair (2006: 30, 34-5) says it is likely that activists played a crucial role in initiating the trend of increasing partisan polarization since the 1970s, with voters following by re-sorting themselves into the parties. Furthermore, Sinclair (2006:64-66) argues that polarization amongst activists was sharper amongst Republicans than amongst Democrats (Sinclair) and associated with the rise of “movement conservatism”, an ideological project spearheaded by neoconservatives and the Christian Right (Sinclair 2006:37, 39-43, 47-48). Interest groups also have increasingly sorted themselves into one of the two partisan coalitions rather than seeking to influence both parties (Sinclair 2006:308-309, 312-316).

As a result of increasing polarization amongst activists and voters, elected Democrats and Republicans became more polarized from one another (Sinclair 2006:16, 18-19, 30, 34). Using the Poole-Rosenthal DW-nominate scores (Poole and Rosenthal 1997), Sinclair (2006:8-13) shows that elected Democrats and Republicans have increasingly diverged in ideology¹⁴, with overlap between the two parties virtually disappearing by the 2000s. This ideological divergence has led to intense partisan conflict (Sinclair 2006:xvi, 5, 110, 121, 145), a contention that Sinclair (2006) supports with extensive information about changes in the legislative process. Party-line voting (votes where a majority of Democrats voted against a majority of Republicans) has

¹⁴ Sinclair (2006:8) defines legislators’ ideology as “a consistent pattern of voting behavior that I assume is a function of the policy preferences of the member’s constituency, of the member’s personal policy preferences and, though to a lesser extent, of other member goals.” This is a broader conception of ideology than I will use in this dissertation. Here, I will use the term *ideology* to refer exclusively to their policy preferences and the beliefs and values on which these preferences are based.

increased in both houses at about the same rate since the 1970s (Sinclair 2006:6-7). Since 1991, “members of Congress have voted with their party colleagues between 85 and 90 percent” of the time (Sinclair 2006:7). Moreover, to quote Sinclair (2006:346), “each side really does see the other’s policy and electoral goals as disastrous for the country; and this sometimes generates a feeling that anything goes, anything is justified to avert such a catastrophe”. In the House of Representatives, the majority party has increasingly excluded minority party members from the lawmaking process, while the minority party increasingly harassed the majority (Sinclair 2006:110, 148, 173).

In the Senate, partisan conflict has to a certain extent been mitigated by institutional features that differ from the House, but partisan conflict has still intensified over the last 3 decades (Sinclair 2006:191-192, 199-200, 212, 231). In particular, the minority party now routinely uses filibuster threats and actual filibusters in order to kill legislation (Sinclair 2006:212-214, 216-217). The proportion of major bills that faced the threat of a filibuster or an actual filibuster rose from 8% in the 87th Congress (1961-1962) to 55% in the 105th Congress (1997-1999)¹⁵, largely due to the increasingly intense conflicts between the majority and minority in the Senate. In summary, recent works by Stonecash et al. (2003) and Sinclair (2006) support the general claim that the alignment of parties, social groups, and ideologies leads to more intense political conflict with evidence from contemporary American politics.

¹⁵ Sinclair’s (2006:213-214) calculation excludes bills that cannot be filibustered, budget resolutions and reconciliation bills. Including these bills in the calculation reduces the percentages only slightly.

Political Science Theories of Gridlock

In addition to drawing on sociological theories of political outcomes, I also draw on three theories from political science that seek to explain *political gridlock* in particular: Divided Government theory, Pivotal Politics theory and Partisan Polarization theory. In contrast to the theories discussed earlier, which often have a comparative bent, these three theories have been developed entirely for explaining American politics. There are three key claims I identify in these theories, each of which has been supported by some empirical research:

1. Divided government increases the chances of gridlock, compared with unified government (Coleman 1999; Cutler, 1988; Sundquist 1988).
2. The existence of supermajority requirements increases the likelihood of gridlock (Brady and Volden 1998; Krehbiel 1996, 1998).
3. The greater the level of polarization between parties, the greater the chances of gridlock (McCarty, Poole and Rosenthal 2006; Sinclair 2006).

Divided government theory

The divided government theory¹⁶ of gridlock (Coleman 1999; Cutler, 1988; Sundquist 1988) claims that *divided government* – when one party controls the executive and a different party controls at least one house of the legislature – is a major source of gridlock. In divided government, the members of the party that controls one of the institutions will resist compromises with the party that controls the other institutions. In contrast to periods of divided government, the theory predicts that gridlock will be less likely under a *unified government* –

¹⁶ The term “divided government theory” is borrowed from Jones (2001b:9) to describe this literature.

when one party controls the executive and both houses of the legislature. In the following section I elaborate on this theory of gridlock and discuss studies that support and challenge this claim.

The divided government theory of gridlock builds off of the fact that the structure of the U.S. government is, as Cutler (1988:485) puts it, a “sharing of powers.”¹⁷ In order to enact any law, the two houses of the legislature must reach compromise with one another on the contents of that law and must also obtain the approval (or at least the acquiescence) of the executive, unless they can assemble the two-thirds majorities to override the executive’s veto. Under unified government, when one party controls the executive branch and both houses of the legislature, the executive and the majority of members in both houses have electoral and ideological incentives to work together to enact legislation (Kernell 1991; Sundquist 1988). Members of the party who face re-election stand to gain from cooperating between institutions to enact major legislative achievements, which the party as a whole can campaign on. Additionally, members of the same party may share a common ideological agenda that can be furthered by collaboration between the lawmaking institutions. Furthermore, under unified government the executive can act as a legislative leader for his party; he can guide the crafting and enactment of legislation across the three lawmaking institutions, and thereby help to achieve the mutual objectives of party members (Sundquist 1988).

When control of government becomes divided between the parties, divided government theory predicts that the likelihood of gridlock will increase (Coleman 1999; Cutler, 1988; Sundquist 1988). Under divided government, “each party has a veto over the other’s pursuit of policy” (Kernell 1991:88) and the parties have strong incentives to use this veto power. Parties

¹⁷ As Cutler (1988:485) points out, the conventional description of the U.S. federal government as a “separation of powers is really a misnomer”, since it implies a division of labor and decision-making power between the branches. In reality, agreement between the legislative and executive branches is required, in various forms, not only for lawmaking but also for treaty-making power, war-making power and the appointment of executive branch officials.

block the other party's legislation for ideological reasons when the parties have contradictory policy goals (Gilmour 1995; Kernell 1991; Sundquist 1988). However, ideological disagreement between the parties is not a necessary cause of gridlock in divided government (Gilmour 1995). Parties may also block the other party's legislation due to electoral incentives, such as preventing the opposing party from achieving accomplishments that could allow it to win the next election (Coleman 1999; Gilmour 1995; Kernell 1991; Sundquist 1988)¹⁸. This "strategic disagreement" (Gilmour 1995:4) may occur even when there is substantive agreement on the actual policy issues.

Several quantitative studies of gridlock indicate that a divided government is more likely to experience gridlock than a unified government (Coleman 1999; Cummins 2012; Edwards, Barrett & Peake 1997; Kousser 2010). Binder (1999, 2003) and Bowling and Ferguson (2001) found that only a certain type of divided government influenced gridlock, but their results were not consistent with one another. Other studies (Gray and Lowery 1995; Jones 2001a, 2001b; Krehbiel 1998; Mayhew 1991) have purported to show that divided government has no effect on gridlock but – as I will discuss – a couple of these studies utilized a questionable measure of gridlock. I will provide more detail on each of these studies in the remainder of this section.

Edwards, Barrett and Peake (1997) sought to discover the extent to which divided government increased the level of gridlock in the federal government from 1947-1992. They measured gridlock as the ratio of the number of seriously considered, important bills that failed to be enacted to the number of important bills that were enacted during a congressional session,

¹⁸ For example, Gilmour (1995) argued that, under divided government, stalemates are likely to occur when politicians of the two parties are seeking to appeal to distinctly different constituencies on an issue. The two parties will tend to take increasingly extreme positions from one another on the issue, moving further apart over the course of negotiations and creating gridlock. In particular, Gilmour (1995) considered cases where there are 3 conditions: divided government, a problem that urgently needs to be addressed, and all potential solutions to the problem are unpopular with important constituencies. In these cases gridlock is very likely. The parties will avoid compromise since they are reluctant to offend their own constituencies and yield a political advantage to the other side.

using data from Mayhew (1991) for the latter. Through a logistic regression on the ratio of failed bills to enacted bills, the authors confirmed that divided government had a significant, positive effect on gridlock.

Coleman (1999) measured gridlock as the *percentage* of important laws that were enacted during each session. To construct this measure Coleman (1999) drew on data from Mayhew's (1991) and Edwards, Barrett and Peake's (1997) studies. Using a multivariate regression model for Congressional enactments from 1947 to 1993, Coleman (1999) found that unified government had a significant, positive effect on the percentage of important legislation that was enacted, net of other factors. In other words, like Edwards, Barrett and Peake (1997), Coleman (1999) found that divided government led to a significantly higher level of gridlock than unified government.

Recently, Kousser (2010) studied the causes of political gridlock in California over the period 1931-2004, sampling the first year of each gubernatorial term and examining major political issues in those years¹⁹. Kousser (2010) created both an ordinary least squares regression model and a grouped logistic regression model of the percentage of major issues that failed to be addressed. In both models divided government had a significant, positive effect on the level of gridlock while partisan polarization did not have a significant effect. In a second set of models, Kousser (2010) included an interaction term for divided government and polarization; this term had a significant, positive effect on gridlock in both the OLS and grouped logit models. Kousser (2010) claimed to have shown that partisan polarization magnifies the effect of divided government, but the divided government coefficient was not significant in the models with the

¹⁹Kousser's (2010) definition of major issues did not include enactment of California's budget.

interaction term. Regardless, Kousser's (2010) findings on gridlock in California are limited because his model was based on only 20 years over the 70-year period.

Lastly, Cummins (2012) studied the relationship between divided government and *budget gridlock* in California from 1950-2004. Cummins (2012) used both a bivariate difference of means test and a multivariate Prais-Winsten regression analysis to examine whether or not divided government led to budget delays. Based on both the difference of means test and the regression analysis, Cummins (2012) found that divided government had a significant effect on budget gridlock. On average, budgets were enacted 14 days later during periods of divided government than during periods of unified government, net of other factors. Thus, Cummins (2012) provides strong support for the divided government theory of gridlock.

In contrast to the aforementioned studies, Binder (1999, 2003) and Bowling & Ferguson (2001) disaggregated between the two variants of divided government. These two types are *inter-branch divided government*, when one party controls the executive and another party controls both houses of the legislature, and *intra-branch divided government*, when the houses of the legislature are controlled by different parties. In Binder's (1999) study she measured gridlock in terms of the proportion of major policy issues that were successfully addressed by federal legislation for each Congress from 1953-1996, using the New York Times op-ed page to construct a list of major issues. Using this measure she found that divided government significantly increased the odds of gridlock, net of other factors. Binder's (2003) revision of her models extended her dataset to 2000 and confirmed the significance of divided government for causing gridlock. However, once she disaggregated between inter-branch and intra-branch

divided government, Binder (1999, 2003) found that only inter-branch divided government significantly increased the odds of gridlock.²⁰

In their study of state governments, Bowling and Ferguson (2001) also disaggregated between the two types of divided government but reached an opposite finding from Binder (1999, 2003). They hypothesized that intra-branch divided government would have a stronger effect on creating gridlock than inter-branch divided government. Bowling and Ferguson (2001) measured gridlock in terms of the odds of bill enactment for each bill introduced in the 1994 legislative sessions and classified bills into eight different policy areas (such as crime, education, welfare, etc.). Using this measure, Bowling and Ferguson (2001) found that intra-branch divided government had a statistically significant, negative effect on the odds of bill enactment in 4 policy areas, but it had no effect in the other four areas. In contrast, Bowling and Ferguson (2001) found that inter-branch divided government had a significant, *positive* effect on bill enactment in 3 policy areas and no effect in the other five policy areas. Thus, Bowling and Ferguson (2001) not only found that intra-branch divided government contributed to gridlock more than inter-branch divided government, but also found that inter-branch divided government actually *decreased* the likelihood of gridlock in some policy areas. This finding is contrary to (Binder 1999, 2003), who found that inter-branch divided government contributed to gridlock.

In addition to disaggregating between the two types of gridlock, Bowling and Ferguson (2001) argued that the effect of divided government on gridlock differed depending on the level of partisan conflict in different policy areas. They hypothesized that divided government

²⁰ One possible explanation for why intra-branch divided government had no effect in Binder's (1999, 2003) models is that she controlled for bicameral differences in ideology. This factor may account for the effect of intra-branch divided government on gridlock. When the two houses of the legislature are controlled by different parties as opposed to one party, it is more likely that there will be ideological differences between the two houses that will impede the passage of joint legislation.

contributed to gridlock in policy areas with high levels of partisan conflict, such as crime and welfare policies. In contrast, they hypothesized that divided government either had no effect or decreased gridlock in policy areas with low levels of partisan conflict, such as economic development policies. They classified each of their eight policy areas as being “high conflict” or “low conflict.” Broadly speaking, their findings confirmed these hypotheses, although there were a few specific results that contradicted their expectations.

Other studies (Mayhew 1991; Gray and Lowery 1995; Krehbiel 1998; Mayhew 1991) have challenged the divided government theory of gridlock. However, Mayhew (1991) and Krehbiel (1998) used inadequate – in my view - measures of gridlock. Mayhew (1991) and Krehbiel (1998) both measured gridlock in terms of the number of significant laws enacted in a given year by the federal government, failing to take into account legislation that was not enacted in these years (Binder 1999, 2003; Edwards, Barrett and Peake 1997). By just measuring bill enactment and overlooking patterns in bill failure, Mayhew’s (1991) study did not accurately describe or explain trends in gridlock in the federal government.

More serious challenges to the Divided Government theory have come from Gray and Lowery (1995) and Jones (2001a, 2001b), but in both cases it is not clear why these studies reached different findings from those discussed above. Gray and Lowery’s (1995) study was similar to that of Bowling and Ferguson (2001): both analyzed the odds of bill enactment in state legislatures and the studies included similar measures for interest group influence and other factors. However, Gray and Lowery’s (1995) found no effect of divided government on gridlock, unlike Bowling and Ferguson (2001). The principal differences between the two were that Bowling and Ferguson (2001) disaggregated their outcome variable by different policy areas and disaggregated the types of divided government. Either of these differences may account for why

Bowling and Ferguson (2001) found that one or both of the types divided government had a significant effect on gridlock in some areas while Gray and Lowery (1995) found that divided government has no effect.

Jones (2001a:130-131) tests the effect of divided government by studying the odds of individual bill passage in the U.S. Congress from 1975-1998; his unit of analysis is whether or not a significant legislative proposal was enacted into law, with 230 cases. In all of his models, Jones (2001a:133-135; 2001b:75-77) found that divided government had no effect on gridlock when controlling for party-line voting in the Senate and other variables.²¹ His findings differed from those of Binder (1999, 2003), who found that divided government had a significant effect on gridlock even when controlling for partisan polarization and other variables. However, Jones (2001a, 2001b) used a different measure of gridlock – the odds of bill failure – from the measure Binder (1999) used, so this may account for the differences in their findings.

Jones (2001b:81-82) expands on his quantitative analysis with a case study analysis to gain more detailed information on the causal mechanisms responsible for gridlock. The case study analysis improves on the quantitative analysis in two ways: it allows for an examination of the extent to which bill success is contingent on the ‘watering down’ of proposals that failed in previous instances, and it provides a way of confirming whether the statistical relationships indicated by his quantitative analysis are due to the causal mechanisms described by his partisan polarization theory. His three case studies are the issue areas of labor-management relations, civil rights, and campaign finance (Jones 2001b:88). The causal factors he examines are whether

²¹ In another model, Jones (2001a:134-135) tested an interaction term for divided government and polarization, and this was also statistically insignificant. Jones (2001b:47, 54-55) adds a multivariate regression analysis of the volume of law production (based on Mayhew’s (1991) measure). Again, divided government did not have a significant net effect on the level of gridlock. However, the measure of gridlock Jones (2001b:47) used in this analysis has the same methodological problem as Mayhew (1991) and other studies that use this measure, because it fails to account for variation in the *demand* for new legislation.

or not there was divided government, the party seat division within each house of Congress, and two measures of polarization: the absolute difference between the percentage of Republicans and Democrats voting for a proposal, and whether or not the roll-call votes on bills were “party votes” (votes where a majority of Democrats opposed a majority of Republicans) (Jones 2001:86). He compares the fate of similar pieces of legislation across Congresses, and examines the specific ways in which legislation failed in instances of gridlock (Jones 2001b:86, 88). Overall, Jones (2001b:120-121) found that divided government theory was not consistent with the majority of legislation that he examined (32 out of 50 bills), since these bills were enacted under divided government or failed under unified government. In the remaining cases, examination of how the bill passed or failed challenged the divided government theory.

To illustrate Jones’ (2001b:88) analysis, I focus here on evidence from one of his case studies: labor-management relations. In the post-war period, legislation to restrict the power of unions was blocked during the 79th Congress (1945-1946) was blocked by President Truman’s veto and by a House vote to sustain the veto (Jones 2001b:90). In the next Congress (80th Congress, 1947-1948), after Republicans gained the majority of seats in both houses, the legislature passed the Taft-Hartley Act, which restricted union power even more than the proposal in the previous Congress (Jones 2001b:91). In this case, President Truman vetoed the bill but both chambers voted to override the veto. The comparison of these instances indicates that divided government was not crucial for blocking enactment, since restrictive labor legislation was enacted *after* the switch to divided government (Jones 2001b:91-92). In the following 81st Congress (1949-1950), after Truman was re-elected and Democrats regained control of the Senate and House, the party sought to repeal Taft-Hartley (Jones 2001b:92). These efforts were stymied even though it was a period of unified government. Various attempts to

remove restrictions on unions were unsuccessful throughout the 1950s (Jones 2001b:92-94). In the 86th Congress (1959-1960), even though the government was divided between a Republican President and Democratic Congress, another restrictive labor law was enacted (Jones 2001b:94-95). In the 89th Congress (1965-1966), the Democratic Party sought to eliminate the “right-to-work” provision in the Taft-Hartley Act; even though there was unified government, a Senate filibuster backed primarily by Republicans killed the repeal legislation. In the 1960s and 1970s, all proposals to reform labor laws in a liberal direction were blocked, even though there was alternation between unified government and divided government (Jones 2001b:96-97). In summary, the case study analyses conducted by Jones (2001b) strongly challenge the divided government theory.

Nonetheless, the majority of studies that have used valid measures of gridlock have found that divided government – or at least one type of divided government - increases gridlock (Binder 1999, 2003; Bowling and Ferguson 2001; Coleman 1999; Edwards, Barrett & Peake 1997; Kousser 2010). However, the findings regarding the effects of the specific types of divided government (Binder 1999, 2003; Bowling and Ferguson 2001) – inter-branch divided government and intra-branch divided government – are contradictory. It is possible that this contradiction is explained by the types of divided government having differing effects at the state and federal level, or that divided governments’ net effects are different from its effects in the specific policy areas that Bowling and Ferguson (2001) studied.

Pivotal Politics Theory

Krehbiel's (1996, 1998:xiv) pivotal politics theory, and the related "revolving gridlock theory" (Brady and Volden 1998:14) make two claims: that supermajority rules are the principal causes of gridlock on the federal level, and that variation in gridlock can be accounted for by which legislators are the pivotal votes on a piece of legislation (who are referred to as the "pivots") (Brady and Volden 1998:15-17 ;Krehbiel 1996:11-12, 14, 36; 1998:xiv, 22-23). Krehbiel (1996:9, 11, 20-21, 36) and Brady and Volden (1998:7, 33-35) wrote in response to, and against, the divided government theory of gridlock. They contended that gridlock is frequent under both divided government and unified government, and that the explanation for gridlock must therefore rest on institutional features that are continuously present – the supermajority rules.

Supermajority requirements are institutional rules that require more than a majority of legislators to enact legislation. At the federal level, the two principal supermajority requirements are the Senate's cloture vote (to overcome filibusters) and the presidential veto override (Brady and Volden 1998:14-16, 19; Jones 2001a:126-127; 2001b:11-14). In situations where a determined Senate minority is opposed to legislation, they can attempt to filibuster. Since the majority can only overcome the filibuster through a vote for cloture, which requires 60 out of 100 Senators, an attempted filibuster effectively raises the votes needed to pass legislation from 51% to 60%. The other supermajority requirement is to override a presidential veto; presidents can veto legislation that they oppose, which can only be overridden with a two-thirds vote in both houses. Thus, presidential vetoes effectively raise the votes needed for enacting legislation

from 51% to two-thirds of both houses²² Furthermore, an actual filibuster or veto need not occur for gridlock to happen; the *threat* of a filibuster or veto is often sufficient to block policy change. Due to these requirements, a minority of legislators retain the ability to block legislation even during periods of unified government. Thus, Krehbiel (1996:11, 1998) and Brady and Volden (1998:7, 34-35) argue that gridlock can be expected to occur frequently both in periods of unified and divided government.

In his “pivotal politics theory”, Krehbiel (1996:xiv, 12-13; 1998:21-22) conceives of political actors’ preferences as being arranged along a single liberal-conservative dimension. He argues that the occurrence of gridlock is dependent on the preferences of the “pivots” (Krehbiel 1996:14, 17-19; 1998:23-24). The two legislators whose votes are pivotal due to the supermajority requirements are “the filibuster pivot” and the “veto pivot” (Krehbiel 1996:14, 1998:23-24). First, the filibuster pivot is the legislator whose vote is necessary to achieve cloture. Since the Senate has 100 members and overcoming a filibuster requires a 3/5ths vote – 60 senators - the filibuster pivot is the 60th Senator. If the legislation is to the left of center, then the filibuster pivot will be right of center, and vice versa. In Krehbiel’s (1998:25) theory, if the filibuster pivot prefers the status quo to the new policy, then there will be gridlock.

Second, the “veto pivot” is the legislator whose vote is needed to overcome a presidential veto of legislation (Krehbiel 1996:14, 1998:23-24). Since it requires a two-thirds vote to override a veto, the veto pivot is either the 67th Senator in the Senate and the 291st member of the House

²² It is important to note that these ‘soft’ supermajority requirements at the federal level, the filibuster and the presidential veto, only come into effect when they are invoked by the opponents of a bill (senators and presidents), either through threat or through action (filibustering or vetoing). In this way they are not fully identical to the ‘hard’ supermajority requirements that exist in California. The ‘hard’ requirements in California are always in effect – the legislature must obtain supermajorities to pass budget bills or raise taxes even in the absence of the threat or manifestation of opposition in the legislature or a gubernatorial veto. That said, in practice the distinction between ‘soft’ and ‘hard’ supermajority requirements can become blurred when filibusters or presidential vetoes become routine rather than occasional.

(whichever is ideologically closer to the president). If a president vetoes legislation, the veto pivot becomes the decisive actor (Krehbiel 1998:25); if the veto pivot prefers the status quo to the legislation, then gridlock will occur. In general, then, whenever the status quo policy is somewhere between the policy preferences of the filibuster pivot, on one side, and the veto pivot on the other side, Krehbiel (1998:25) predicts that gridlock will occur. In this situation, at least one of the pivotal actors will prefer the status quo to policy change and will block the legislation. Krehbiel (1998, p. 47) calls the preference space between the two pivotal actors the “gridlock interval”, because policy proposals that fall within this space will not be enacted. For example, if the president is very liberal, the veto pivot somewhat liberal, and the filibuster pivot somewhat conservative, no policy will be enacted that is either too conservative (relative to the status quo) for the veto pivot or too liberal (relative to the status quo) for the filibuster pivot (Krehbiel 1998: 37-38).

Brady and Volden (1998:14) draw on Krehbiel’s (1998:xiv) “pivotal politics theory” in building their own “revolving gridlock theory”. Their revolving gridlock theory differs from Krehbiel’s (1996, 1998) theory in several ways. First, Brady and Volden (1998:19-20) take into account the fact that both houses are necessary to override a president’s veto, so there are veto pivots in both the House and the Senate that affect whether or not gridlock occurs. Nonetheless, because filibustering is possible in the Senate but not in the House, the ‘gridlock region’ is larger in the Senate. Second, Brady and Volden (1998:14, 21-24, 27-28, 30-32) move away from Krehbiel’s (1996, 1998) formal model by taking into account uncertainty about policies, exogenous shocks, and bargaining with the president. As a result, legislative outcomes cannot always be predicted perfectly on the basis of legislators’ ideal preferences. On any given piece of

legislation, there are a number of legislators that might be the deciding vote given their location in the left-right spectrum (Brady and Volden 1998:105, 125-126).

The first claim of “pivotal politics theory” – that supermajority rules contribute to gridlock – has been supported by studies from Rosenberg (1993), Brady and Volden (1998) and Sinclair (2006). The second claim of “pivotal politics theory” – that variation in gridlock is explained by which legislators are the “pivots” – has some support from studies from Krehbiel (1996, 1998) and Brady and Volden (1998) and Binder (1999, 2003), but there are some theoretical and methodological problems that will be discussed below.

Rosenberg (1993) examined the effect of California’s supermajority requirement on the 1992 budget process. The 1992-1993 budget was signed 64 days after the start of the fiscal year and was at that time the latest budget in state history. Using the voting records of the legislature, Rosenberg (1993) argued that the California budget could have been passed weeks or months earlier if not for the supermajority requirement. As Rosenberg recounts, on April 2nd, 1993 California’s Assembly voted on its version of the budget bill, AB 2303, but the bill only received 45 votes, more than a majority but less than the two-thirds required for passage. The Senate’s version of the budget bill, SB 1280, passed the Senate and was sent to the Assembly on April 30th. The Assembly amended the Senate bill and sent it back to the Senate, but disagreements between the two houses necessitated a conference committee. On August 10 the bill came before both houses for a vote, but in both houses it received a majority but not a supermajority. It took another nineteen days before the budget bill was finally passed in both houses. Thus, Rosenberg’s (1993) account supports the broader argument that the supermajority requirement produces budget gridlock in California. However, Rosenberg’s (1993) discussion of California’s

budget gridlock is limited because he only examines gridlock in one year and does not consider the effect of other factors besides the supermajority rule.

Brady and Volden (1998) conducted a qualitative study of gridlock in the federal government in the federal government from 1976 to 1996, analyzing and comparing the fates of different legislative proposals. As an example of how their study indicates that supermajority requirements contribute to gridlock, they examined how different decision-rules – majority rule versus supermajority rule – influenced policy outcomes in President Clinton’s first two years in office (Brady and Volden 1998:93-94, 100). Brady and Volden (1998) use ADA voting scores to place legislators on a liberal-conservative continuum and to identify the specific politicians that were at or near the median position, as well as the specific legislators at or near the filibuster pivot (101, 104-105). For NAFTA and budget bills, Clinton only required majority support in both houses to enact the legislation he supported (Brady and Volden 1998:100, 106-109, 112-113). These policies were enacted after Clinton modified the legislation to the right to appeal to the median legislators in the House and Senate. In contrast, Clinton was less successful for three policy proposals that required a 3/5ths vote in the Senate: a stimulus plan, a national service bill, and healthcare reform (Brady and Volden 1998:117, 119-120, 122-123). The national service act became law after being moderated to appeal to the filibuster pivots in the Senate, but both the jobs bill and healthcare reform were blocked because the proposals remained too far too the left to appease the filibuster pivots. Thus, the presence of supermajority rules appears to make it more difficult for a president to enact his agenda than under a simple majority rule.

Sinclair (2006) also provides some evidence that is consistent with the pivotal politics/revolving gridlock theory. Looking at major bills that failed to be enacted into law by the federal government from 1993-2002, Sinclair (2006:358) found that 41% of those bills were

passed by the House but not by the Senate. In contrast, only 3.8% of the failed bills passed the Senate but not the House. Bills that passed both houses but then died in the post-passage phase (for example, if one chamber rejected the compromise bill that came out of the Conference committee) were much more frequently blocked due to the Senate than the House (Sinclair 2006:358-359). While the extent to which the supermajority requirement accounts for Senate-House differences in legislative productivity is unclear from this data, Sinclair (2006:359-360) also shows that bills that faced a filibuster problem in the Senate (a filibuster or threat of one) were less often enacted into law than bills that did not face a filibuster problem by 16 percentage points. Additionally, Sinclair's (2006:210-212, 216, 225, 233) qualitative research indicates that the filibuster (or threat thereof) is a critical factor (though not at all the sole factor) for explaining why the Senate is more likely to be the "graveyard of legislation" than the House (Sinclair 2006:233). In summary, Sinclair's (2006:362) research indicates that the de facto supermajority rule in the Senate contributes to the "tendency toward gridlock" in the federal government, though it does not lead to total gridlock (Sinclair 2006:361, 369).

In regards to the second claim of pivotal politics theory, that variation in gridlock can be explained by which legislators are the "pivots", some support has been provided by two quantitative studies from Krehbiel (1996, 1998) and Binder (1999, 2003). In *Pivotal Politics* (1998), Krehbiel tested the utility of his theory for explaining variation in the number of important legislative enactments for Congress from 1947-1994.²³ He found that change in the gridlock interval had a statistically significant, negative effect on major legislative enactments. As the gridlock interval grew, the number of major laws that were enacted decreased. Thus, Krehbiel (1998) concluded that variation in gridlock is explained by the distance between the

²³ As mentioned earlier, this approach to measuring gridlock has been rightly criticized by Binder (1999, 2003) for ignoring variation in the demand for new legislation between different years.

preferences of the pivotal legislators – the greater the distance, the greater the gridlock.

However, there are two methodological problems with Krehbiel's (1996, 1998) approach. First, Krehbiel's (1996, 1998) measure of gridlock is questionable; by simply measuring the number of important laws enacted, he did not account for variation in the number of important laws that failed to be enacted. Second, the way that Krehbiel (1998:58) measures the gridlock interval is not consistent with his own theory; the theory focuses on ideological preferences, whereas the operationalization measures the number of seats in the legislature that are occupied by the president's party.²⁴ For this reason, Krehbiel's (1998) empirical results actually demonstrate the *importance* of partisanship for explaining gridlock, while purporting to show the opposite!²⁵

In contrast, Binder's (1999, 2003) study of gridlock used a more accurate measure of gridlock (percentage of major legislation that failed) and used ideological preferences instead of party affiliation as an independent variable. Binder (1999, 2003) hypothesized that the greater the distance between the preferences of the median Senator and the filibuster pivot, the greater the level of gridlock. She constructed a variable for "filibuster threat" for each Congress by calculating the number of filibusters that took place and multiplying this number by the ideological distance between the median senator and the filibuster pivot. Binder (2003) found that the filibuster threat variable had a significant, positive effect on gridlock in a univariate regression, but that the variable was not significant when controlling for other factors. However,

²⁴ To provide some more details, Krehbiel's (1998) theory focuses on the ideal points of legislators on a liberal-conservative spectrum, but in his model he uses party affiliation as a proxy for preferences. Thus, the gridlock interval contracts when a sitting or newly elected president's party gains seats in Congress and the gridlock interval expands when a sitting or newly elected president's party loses seats. He coded no change in the gridlock interval for rare instances when a newly elected president's party lost seats. Though Krehbiel (1998) acknowledges that this operationalization is not fully consistent with his own theory, he fails to address the substantive implication. By measuring gridlock in this way, Krehbiel's (1998) study indicates that the *partisan composition* of the government is actually the crucial variable in explaining levels of gridlock, not the ideological preferences of the pivots. In turn, this indicates that the crucial actors for producing gridlock are not the "pivots" but rather the political parties.

²⁵ For a more extensive critique of Krehbiel (1998), but along somewhat different lines, see Smith (2007:148-167).

it is not clear why Binder (1999, 2003) chose to measure filibuster threat in the way that she did, rather than simply measuring the distance between the median senator and the filibuster pivot. The latter measure would have been more comparable to the measure in Krehbiel (1996, 1998).

Holyoke (2010:19) also assessed Krehbiel's (1998) pivotal politics theory by studying gridlock in the federal government from 1999 to 2002, focusing on legislative outcomes on six policy issues. Among other independent variables, Holyoke (2010:19) constructed a measure of the influence of the filibuster pivot for each piece of legislation: the difference in ideological scores between the filibuster pivot and the median senator in the originating committee²⁶. This measure represents the extent of ideological disagreement between the legislations' authors and the filibuster pivot in the Senate. In his models, he found that this measure had a significant negative effect on two outcomes: the likelihood of legislation being reported out of committee, and the likelihood of legislation becoming law. However, Holyoke's (2010) finding may not be generalizable to other policy areas or other time periods.

In summary, the evidence regarding the effect of supermajority requirements on gridlock is limited and mixed. In regards to the first claim of pivotal politics theory, that supermajority requirements make gridlock more likely, there have been no direct quantitative tests, such as a comparison of the level of gridlock between different legislatures with variation in the presence of supermajority rules. However, the qualitative research of Brady and Volden (1998) and Sinclair (2006) support this claim. For the second claim of pivotal politics theory – that variation in gridlock can be explained by the ideological preferences of pivotal legislators - all three of the quantitative studies that have addressed this claim have methodological weaknesses. Krehbiel

²⁶ The calculation of the measure depends on which party controls the Senate (Holyoke 2010:19). When Republicans control the Senate, it is the distance between the 40th most liberal senator and the median of the originating committee. When Democrats control the Senate, it is the distance between the 40th most conservative senator and the median of the originating committee.

(1998) found that variation in the gridlock interval between the filibuster and veto pivots significantly affected his dependent variable, but his measure of gridlock was simply the number of laws enacted, not taking into account the number of laws that failed. Binder (1999, 2003) found no relationship between her measure of the “filibuster threat” and the level of gridlock, but the measure (number of filibusters multiplied by the ideological distance between the median senator and the filibuster pivot) is not grounded in any theory. Holyoke’s (2010) measure most closely addresses the second claim of pivotal politics theory, but his study examines a very limited range of time and range of issues. Thus, the relationship between supermajority requirements, legislators’ preferences and gridlock has not been firmly established by quantitative research.

Partisan Polarization theory

A third theory of gridlock from political science is “partisan polarization theory” (Jones 2001b:15; also see McCarty, Poole and Rosenthal 2006). This theory is focused on the causes and consequences of partisan polarization in the United States. Partisan polarization is the extent to which individuals from the two parties are ideologically distinct from one another – in other words, the degree to which partisanship and ideology are correlated with one another (Jones 2001a:127; McCarty, Poole and Rosenthal 2006; Sinclair 2006). Partisan polarization between *elected officials* is of particular concern to this theory; the theory claims that the higher the level of polarization between the two major political parties, the greater the likelihood of gridlock (Jones 2001a:128; McCarty, Poole and Rosenthal 2006). According to Jones (2001a:126-127, 2001b:11-14), the polarization theory challenges the divided government theory for assuming

that parties are polarized rather than accounting for variation in the extent to which Democrats and Republicans disagree on issues.

Partisan polarization is theorized to contribute to gridlock because when the parties are more polarized, there are a smaller range of options on which members from both parties can agree, which inhibits cross-party compromises (Binder 2003; McCarty, Poole and Rosenthal 2006). High partisan polarization may also lead members of the minority party to prefer obstruction to compromise in order to appeal to their distinct electoral base. When there is high polarization, majority parties are more likely to engage in strategic disagreement – refusing to compromise and then attempting to reap electoral advantage from the stalemate (McCarty, Poole and Rosenthal 2006). This can occur by including an element in the bill that the other party considers unacceptable, anticipating that it will be killed and then blaming the other side for blocking the bill.

Jones' (Jones 2001a:128-129, 2001b:15) party polarization theory also includes a focus on institutional features that contribute to gridlock - the filibuster and veto override. Jones (2001a:128) builds on Krehbiel's (1996, 1998) and Brady and Volden's (1996, 1998) theory of gridlock, which take into account these supermajority rules in the legislature; however, he critiques their models for being "nonpartisan", not addressing "how various types of partisan conditions might make gridlock more or less likely". In contrast to their approach, he focuses on how the relationship *between* ideology and partisanship influences gridlock (Jones 2001a:128; 2001b:23, 25, 31). According to Jones (2001a:129), "gridlock is caused by the interaction between two partisan variables: party polarization and party seat division." Higher partisan polarization will have less of an effect when the majority party has enough seats to control both the filibuster pivot and the veto override pivots; higher partisan polarization will have more of a

gridlock-exacerbating effect when there is not a filibuster- and veto-proof majority (Jones 2001a:128-129).

Several studies have provided evidence that partisan polarization contributes to gridlock (Binder 2003; Cummins 2012; Jones 2001a, 2001b; McCarty, Poole and Rosenthal 2006; Sinclair 2006; Thorson, Vechten and Webster 2010). Jones (2001a:130-131) tests the polarization theory by studying the odds of individual bill passage in the U.S. Congress from 1975-1998; his unit of analysis is whether or not a significant legislative proposal was enacted into law, with 230 cases. Jones (2001a:131) measured partisan polarization as the absolute difference between the percentage of Democrats voting for a measure and the percentage of Republicans voting for the same measure, constructing separate polarization variables for each house of Congress.²⁷ He measures party seat division as the percentage of seats in each House held by the president's party (Jones 2001a:132). Using logistic regression analysis, Jones (2001a:133-135) found that partisan polarization in the Senate had a significant, positive effect on the odds of bill failure across all of the models. Jones (2001a:133-134) also found that an interaction term for partisan polarization and party seat division in the Senate increased the likelihood of bill failure, indicating that the effect of polarization decreases as the majority party approaches or exceeds the threshold for a filibuster-proof majority. However, in a model with both Senate and House polarization, partisan polarization in the House did not have a significant effect. (Jones 2001a does not provide a model with only the House variables). Jones (2001a:133-135) speculated that the reason the polarization variable was significant for the Senate, but not the House, was because the filibuster makes it more difficult to pass bills in the Senate than in

²⁷ Note that this approach differs considerably from Binder (1999, 2003) and McCarty, Poole and Rosenthal (2006), which measure polarization as an overall variable for each Congress.

the House. However, Jones (2001a) is not able to rule out other potential explanations for the difference between the houses.

However, there are three methodological problems with Jones' (2001a) models that cast doubt on his findings. First, his measure of polarization as an explanatory variable – the percentage of Democrats versus Republicans voting for a given measure – is not empirically prior to his outcome variable, bill success or failure. Second, his measure of polarization is actually a measure of voting behavior; by conflating the two, Jones (2001a) is overlooking the range of other factors that might influence how legislators vote besides personal ideologies – such as incentives or threats from party leaders (Smith 2007:49-52, 95). Third, Jones (2001a) did not include party seat division as a separate variable from the interaction term between party seat division and his 'polarization' measure, which may mean the model suffers from omitted variable bias.

Jones (2001b:65-79) presents a modified version of the logistic regression analysis in Jones (2001a)²⁸. One difference is that he divides his analysis into two different time periods, 1947-1974 and 1975-1998, based on when the cloture rule in the Senate changed from 2/3rds to 3/5ths of Senator (Jones 2001b:65). The second difference is that he measures party seat division in different ways depending on the time period (Jones 2001b:51-52). For Congresses prior to 1975 (when both the cloture vote and veto override required 2/3rds), he measures the proportion of seats held by the majority party. The more seats for the majority party, regardless if it is the president's party or the opposing party, the greater its chances of overcoming both the filibuster *and* the president's veto. For Congresses after 1975 (when the cloture threshold was 3/5ths while

²⁸ Jones (2001b:47, 54-55) also conducts an analysis of the volume of law production that indicates that polarization has a significant net effect. However, as discussed earlier, the volume of law production is not a reliable measure of gridlock.

the veto override remained at 2/3rds), he measures the proportion of seats held by the *president's party*, since the chances of passing legislation will depend more on if the president can gain sufficient votes in the legislature for his party's proposals to overcome filibusters and less on whether the majority party has enough seats to overcome a veto. His results are entirely consistent with the analysis in Jones (2001a) (Jones 2001b:70-79). However, the quantitative analyses in Jones (2001b) suffer from the same shortcomings as in Jones (2001a).

As discussed previously, Jones (2001b:81-82) also uses a case study analysis to assess how well the polarization theory and the divided government theory explain variations in gridlock. He examined three cases of gridlock in three issue-areas - labor-management relations, civil rights, and campaign finance – and his findings strongly supported the polarization theory over the divided government theory (Jones 2001b:88, 120-121). Out of 50 cases, only 4 were not accounted for by polarization theory. As an illustration, his analysis of civil rights legislation showed that variation in partisan polarization – as indicated by voting patterns – accounted for most of the variation in gridlock (Jones 2001b:99-109). Fair Employment Practices legislation was blocked by committees or filibusters from 1945-1952, even during periods of unified government (Jones 2001b:99-100). The filibusters were on party lines, supporting the partisan polarization theory. During the 85th and 86th Congresses, Civil Rights legislation was enacted on non-party line votes, even though it was a period of divided government (Jones 2001b:101). In contrast, after the Democrats gained control of both the Presidency and Congress in 1961, Kennedy's civil rights proposal was killed by a filibuster (Jones 2001b:102). In 1964, under President Johnson, a Senate filibuster of civil rights legislation was broken for the first time and the Civil Rights Act of 1964 become law, but the way in which this occurred supports the polarization theory (Jones 2001b:102-104). The Civil Rights Act did not pass on a party-line vote

(i.e. a majority of Democrats voting differently than a majority of Republicans). In fact, Republicans were *more* supportive of the legislation than Dems and, comparing to votes on previous, similar legislation, the difference between the parties in voting was less. The patterns of gridlock on civil rights legislation in subsequent Congresses were fully consistent with polarization theory in all but one instance (Jones 2001b:104-107, 121). In summary, Jones' (2001b) case study analysis supports the partisan polarization theory of gridlock.

Binder's (2003) study analyzed the causes of gridlock in the federal government, including major legislation proposed between 1947 and 2000. To measure party polarization, Binder (2003) used the DW-Nominate scores from McCarty, Poole, and Rosenthal (1997) to determine the median ideological score for Democrats and Republicans in both houses of Congress. Then she divided the number of moderates in each chamber by the distance between the two party medians. Lastly, she averaged the House and Senate measures to create a single measure because they were highly correlated with one another. In four out of her five regression models, Binder (2003) found that partisan polarization increases the frequency of gridlock, and the variable misses statistical significance only slightly in fifth model. In a secondary model, Binder (2003) also found that partisan polarization increased the likelihood that federal budget bills were enacted late. However, like Jones (2001a), Binder utilized a measure of party polarization derived from legislators' voting behavior, which is only an *indirect* indicator of legislators' ideological positions (Smith 2007:94-95).

McCarty, Poole and Rosenthal (2006) also analyzed the relationship between partisan polarization and gridlock but focused only on the U.S. House of Representatives. The authors calculated ideological scores for politicians based on roll-call votes, placing politicians on a liberal-conservative axis. Then they measured partisan polarization as the difference between the

average scores of Democrats and Republicans in Congress. McCarty, Poole and Rosenthal (2006) found that legislative output of major laws was high and increasing during a low-polarization period in the House, from 1960-1977. After 1977, when polarization in the House increased, legislative output of major laws has tended to be lower and decreased over the years, with some exceptions. Using statistical modeling, the authors analyze the net effect of polarization on gridlock for unified government, election cycles, which party controlled the presidency, and secular trends. They found that polarization in the House had statistically significant and large effects on legislative output, which they measured in several different ways. Again though, the measure of polarization they employed only indirectly indicates the underlying ideologies of Democrats and Republicans (Smith 2007:94-95).

Evidence for the link between polarization and gridlock in the federal government is also found in Sinclair (2006:231, 361-362, 369), although she is careful to note that polarization has not led to total gridlock. Like Jones (2001a, 2001b), Sinclair (2006:231, 233, 362) addresses how the combination of polarization and supermajority rules contributes to gridlock. As mentioned before, rising polarization amongst Senators has led the minority party to increasingly engage in obstruction using the filibuster (Sinclair 2006:191, 210-214). As Democratic and Republican Senators have diverged in ideology, they increasingly perceive the other party's goals as dangerous, and more willing to use all available means to stop the other party from achieving these goals (Sinclair 2006:211-212, 233, 346). The consequence of "the combination of the Senate's permissive rules and partisan polarization" is an increasing "tendency toward gridlock" (Sinclair 2006:362). Comparing across time, Sinclair (2006:216-217, 357-359) found that the proportion of major legislation that was blocked by the Senate has increased, which indicates

that rising polarization (combined with the Senate supermajority rule) has made it more difficult to enact major legislation.

Thorson, Vechten and Webster (2010) analyze the relationship between polarization and gridlock in California – specifically budget gridlock. They constructed a measure of partisanship based on Masket’s (2007) DW-Nominate scores for the California Assembly, calculating the difference between the median DW-Nominate scores of Democrats and Republicans for each year between 1950 and 2004. This partisanship measure is essentially a proxy for partisan polarization, as Thorson et al. assume that partisan voting varies with the ideological homogeneity of the party’s members and the ideological distance between the parties. Based on a bivariate Pearson correlation, the level of partisan polarization has a strong effect on the length of budget delays. However, due to a limited number of cases and variables, they were not able to provide a robust multivariate model of budget gridlock (though a preliminary model does indicate that partisan polarization has a net effect).

Cummins (2012) conducts a similar analysis to Thorson, Vechten and Webster (2010) but his model is more fully developed by including more variables and using Prais-Winston regression to correct for autocorrelation. Cummins (2012) used polarization based on Masket’s (2007) DW-Nominate scores, taking the difference in the average score for each party (which is the same operationalization as in Thorson, Vechten and Webster 2010). Partisan polarization had a significant, positive effect with a large magnitude, net of the other variables. To illustrate this effect, the model estimates that the increase in partisan polarization between 1980 and 2000 increased budget delays by 29 days. Cummins’ (2012) findings indicate “that polarization is the overriding factor in recent budget stalemates” (Cummins 2012::33). However, both Thorson et al. (2010) and Cummins (2012) are using a measure of ideology (Masket 2007) that is really a

measure of voting behavior, so they suffer from the same general shortcoming as the studies discussed before (Smith 2007:94-95).

A couple of studies - Bowling and Ferguson (2001) and Kousser 2010 – found evidence that contradicted the central claim of partisan polarization theory. As mentioned earlier, Bowling and Ferguson (2001) examine the causes of gridlock across the states, disaggregating by different areas of policy. Partisan polarization had a significant effect in 3 out of the 8 policy areas, but the effect was in the opposite direction from what polarization theory expects (Bowling and Ferguson 2001:193-194). In other words, greater partisan polarization actually increased the odds of bill enactment, net of other factors. However, the measure of polarization that is used by Bowling and Ferguson (2001:191) differs from other studies; it is a composite measure from Erikson, Wright and McIver (1993:98-99, 102-103) that includes activists and congressional candidates, not just state legislators, and the values for each state do not vary over time. Thus, Bowling and Ferguson's (2001) evidence that polarization has an opposite effect on gridlock than expected may not be empirically valid.

As mentioned earlier, Kousser's (2010:15-16) study assessed whether or not divided government and partisan polarization influenced political gridlock in California, and partisan polarization was not significant in his models. An interaction effect for divided government and partisan polarization was significant, but since both of the variables were not significant by themselves the empirical meaning of this finding is not clear. More generally, Kousser's (2010:10) study is limited due to the small number of years that he examined (21 years selected from between 1931 to 2004).

Thus, on balance, existing studies of the polarization-gridlock link provide substantial support for partisan polarization theory (Binder 2003; Cummins 2012; Jones 2001a, 2001b;

McCarty, Poole and Rosenthal 2006; Sinclair 2006; Thorson, Vechten and Webster 2010).

However, their reliance on indirect measures of legislators' ideological positions is a lingering problem for all of these studies (Smith 2007:94-95). The measures from McCarty et al. (1997) and Masket (2007) are useful for tracing broad trends in ideological polarization, but we cannot assume that they directly represent the ideological positions of legislators, separate from other factors that influence voting behavior.

Theory of Political Decision-making

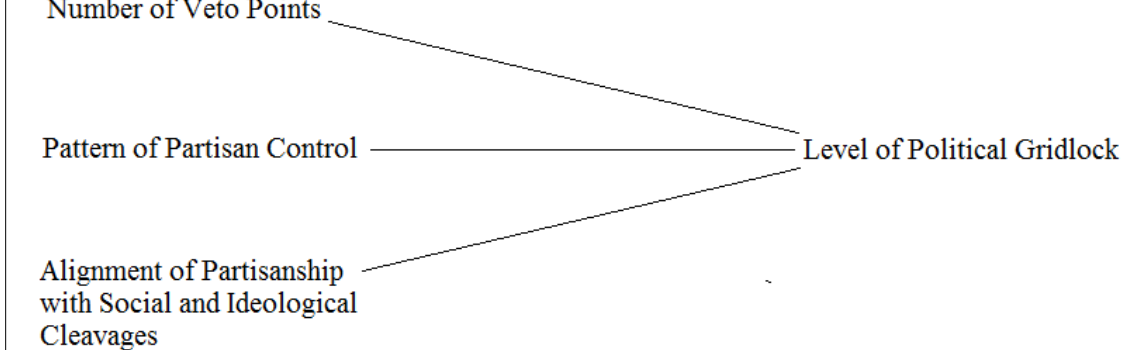
I develop a theory to explain political decision-making in democratic states by synthesizing elements from both political sociology and political science theories of gridlock (divided government theory, pivotal politics theory, and partisan polarization theory). In my own theory, the outcome I seek to explain is the *efficiency of political decision-making* or, *conversely, the level of political gridlock*. My central argument is that variations in the efficiency of political decision making are influenced by the conjuncture of 3 factors: the number and location of veto points in government; the partisan control of veto points; and the extent of alignment between partisanship and social and ideological cleavages. These 3 factors shape the patterns of political conflict, which in turn result in variations in the level of political gridlock. In the following section I will elaborate on the three theoretical propositions that comprise my theory of political decision-making, which I will assess using my case study of budget gridlock in California.

Theoretical proposition #1

The greater the number of veto points in political institutions, the greater the power of opponents of political decisions. In turn, the level of gridlock will be higher when there are more veto points, and lower when there are fewer or no veto points.

I arrive at this implication by drawing on the political institutional perspective, (Immergut 1990, 1992; Maioni 1998; Steinmo and Watts 1995) and by drawing on *one of* the claims of pivotal politics theory – that the presence of supermajority requirements promotes gridlock (Brady and Volden 1998; Krehbiel 1998). I identify supermajority rules as a particular type of veto point. “Veto points” provide structural opportunities for gridlock by empowering actors that are opposed to legislation at the expense of the supporters of legislation. When veto points are created or destroyed, we should expect there to be changes in the probability of political gridlock. In general, if the number of veto points decreases, it should become easier to make new policies or achieve other political goals. On the other hand, if the number of veto points increases, it will become harder to reach political decisions, as there will be more opportunities for opponents to delay or kill proposals. Figure 1.1 (page 68) displays this theoretical claim.

Figure 1-1. Theory of Political Decision-making



It is important to note how my own theory of political decision-making differs from pivotal politics theory (Krehbiel 1996, 1998). Pivotal politics theory claims that the level of gridlock depends on the particular legislators who are the “pivots”. The pivotal politics theory assumes that there is a stable distribution of ideological preferences amongst the members of the legislature, which can be identified through voting behavior, and that legislators are aware of the distribution of preferences. As a result, there will be a single, identifiable actor who will be the “filibuster pivot” on all issues, while another actor will be the “veto override pivot” on all issues.

In contrast, for my own theory of political decision-making I focus on the institutional veto points themselves rather than just on the “pivots”. There are two reasons why a focus on the “pivots” is misleading. First, like Smith (1997:93-95), I am generally skeptical of the assumption that voting behavior is determined by (or a direct indicator of) legislators’ ideological preferences. Ideology is just one of the factors that influence how legislators will vote; other important factors are pressures from constituents, pressures from interest groups, and party

discipline. While the treatment of voting behavior as an *indirect* indicator of ideology is useful, its use as a stand-in for ideology in a formal model that is meant to *explain* voting outcomes is quite problematic (Smith 1997:95, 97-98, 148). The second, and related, problem is that Krehbiel (1996, 1998) assumes that it is possible to identify the “pivots” based on a spatial model of legislators’ voting preferences. However, *even if* we possessed a direct measure of legislators’ underlying preferences (rather than how they vote), we are missing the broader array of forces that influence their votes on particular legislation (e.g., offering earmarks to convince legislators to support a bill they were ideologically disinclined to support) (Smith 1997:98, 158). Empirically, the legislators who will end up being the “pivots” cannot be predicted just by their ideology and may vary across different issues. Thus, it does not seem useful to reduce the explanation of gridlock to a formal model that relies on the preferences of the “pivots”, rather than broadening our focus to a range of factors that influence how legislators vote and, in turn, the chances that legislation will be passed or blocked.

Theoretical proposition #2

The more that partisan control of is dispersed, the greater the power of parties to block one another’s political goals. In turn, the level of gridlock will be higher when different parties control veto points (divided partisan control) than when a single party controls all veto points (unified partisan control).

I arrived at this claim based on the work of political institutionalists (Immergut 1990, 1992; Chen 2007) and from divided government theory. Both Immergut (1990, 1992) and Chen (2007) indicate that partisan control of veto points influences whether or not legislation is blocked, and they identify two veto points relevant to the ‘separation of powers’ – the ability of

one house of the legislature to block the bills of the other house, and the executive's ability to veto legislation. This is an obvious fit with divided government theory.

However, unlike divided government theory, my theory of political decision-making takes into account veto points *other than* the executive veto and bicameralism, such as various types of supermajority rules *within* a legislature. Veto points within legislatures can affect policy outcomes just as much as bicameralism and the executive veto. Indeed, it is quite misleading to say that a majority party “controls” the legislature when a minority party has enough seats to block legislation on a supermajority vote. Following from this point, I propose a different set of terms to the ‘unified government/divided government’ distinction. I will use the term ‘*unified partisan control*’ for when all of the veto points in the decision-making process are controlled by members of the same party. All else being equal, ‘unified partisan control’ is conducive to efficient political decision-making. On the other hand, I shall speak of ‘divided partisan control’ when *any* of the veto points in the political process are controlled by members of opposing parties, including within the legislature itself. ‘Divided partisan control’ is conducive to political gridlock, and we would expect to see a higher level of gridlock during periods of ‘divided partisan control’ than during periods of ‘unified partisan control.’ This claim is shown in Figure 1.1 (page 68) as the relationship between “the pattern of partisan control” and the level of political gridlock.

Theoretical proposition #3

The greater the alignment of partisanship with social and ideological cleavages, the greater the intensity of political conflicts. In turn, the level of gridlock will be higher when partisan conflicts are more intense and lower when partisan conflicts are less intense.

I arrive at this claim by synthesizing ideas from cleavage theory with ideas from the partisan polarization theory of gridlock. As discussed earlier, cleavage theorists argued that political conflicts are shaped by the extent to which partisanship is aligned with social cleavages and ideological divisions (Dahl 1966, 1967; Lipset 1960). When political parties are more strongly linked to particular social groups and particular ideologies that differentiate the parties from one another, partisan conflicts will tend to be more intense than when there is a high degree of cross-cutting cleavages.

Partisan polarization theory provides a means of linking this claim to the specific outcome of political gridlock (McCarty, Poole and Rosenthal 2006; Sinclair 2006). According to partisan polarization theory, the more that the parties are distinguished on demographic and ideological lines, the greater the chances that legislation will be delayed or blocked. However, partisan polarization theory does not clearly distinguish between patterns of alignment and patterns of conflict; as discussed earlier, partisan polarization is often measured *in terms* of the voting behavior of legislators, rather than in terms of the underlying (and unmeasured) ideological preferences of legislators (see discussion in Smith 2007:93-95). Here I seek to distinguish between three inter-related phenomena: the alignment of social groups, parties and ideologies (an associational and ideological phenomenon); the intensity of conflicts between parties and the groups they represent (a behavioral phenomenon); and the level of political gridlock (a political outcome). The pattern of political alignment influences the intensity of conflicts, which in turn influences whether or not political decisions are reached quickly, delayed or blocked. Conflict is the link between ‘partisan polarization’ and the level of gridlock. When partisan polarization is low, conflicts will tend to be comparatively mild, and political decision-making will tend to be more efficient. On the other hand, when polarization is high – i.e., when

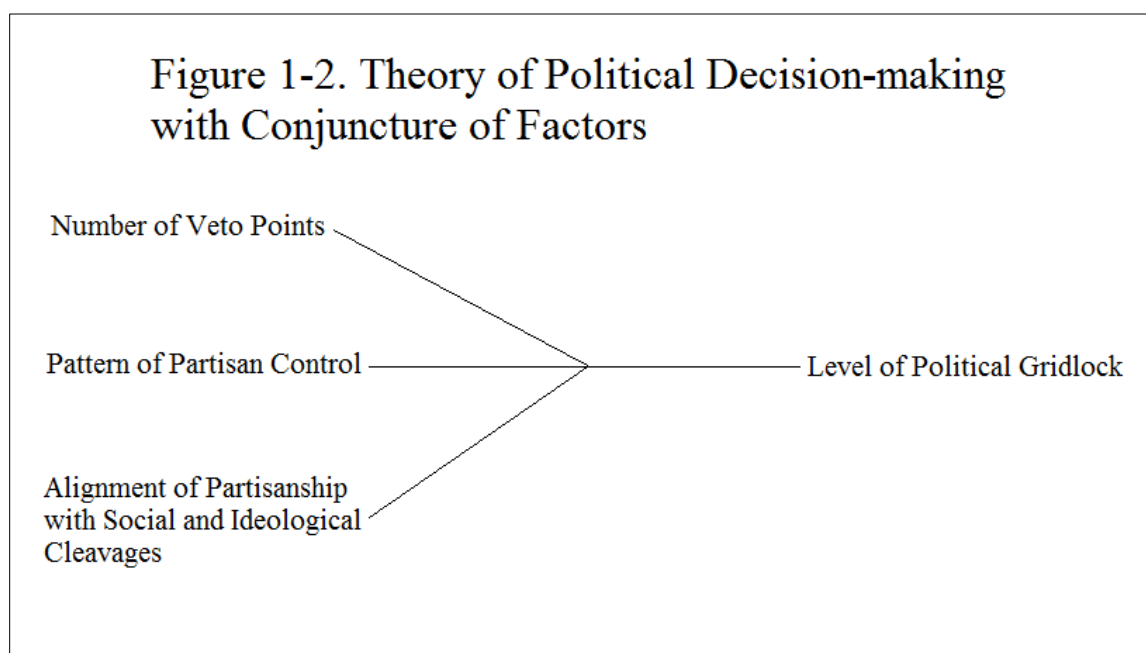
members of the two parties are struggling over a variety of political issues and represent distinct social bases – they will engage in recurring and fierce conflicts, and they will be more motivated to block the agenda of the opposite party than to compromise. Thus, in general, the higher the level of polarization, the more conflict, and a higher level of gridlock. Figure 1.1 (page 68) displays this theoretical claim.

Conjuncture of factors

The concept of a *conjuncture* – a set of different conditions that fit together in a particular way to produce a given outcome – is central to comparative historical research (Marini and Singer 1988:354-355, 371, 390; Quadagno and Knapp 1992:502; Ragin 1987:25-26, 48; Weber [1906] 1978c). The assumption that many historical outcomes can be explained only in terms of “multiple conjunctural causation” distinguishes comparative historical research from the logic of multivariate statistical analysis (Ragin 1987:63). Quantitative analyses assume that independent variables each influence the dependent variable and have additive effects (i.e. Y is affected by $X_1 + X_2 + X_3$) (Ragin 1987:15, 63-66). Interaction terms can be used to introduce greater causal complexity (i.e., the effect of X_1 depends on X_2), but data limitations (such as a small number of cases) restrict the ability of researchers to examine all possible interactions. In contrast, comparative historical research assumes that the effects of a causal condition can depend on the presence of other factors and the particular way that these factors fit together (Ragin 1987:13-15, 25-26, 44, 48-49).

Based on the literature reviewed above, I have solid grounds for suspecting that an explanation of particular instances of gridlock involves conjuncture-based causation. Many theorists have argued that political outcomes are influenced by particular combinations of factors

(e.g., Dahl 1967; Thelen and Steinmo 1992; Tichenor 2002), not just by separate causes with purely additive effects. In addition, several studies of gridlock indicate that it may be a particular combination of factors, not just separate factors, that accounts for the occurrence of gridlock (Brady and Volden 1998; Jones 2001a, 2001b; Sinclair 2006). Drawing from this literature, I propose that the level of gridlock will be influenced by the conjuncture between 1) the number and location of veto points, and 2) the pattern of partisan control of veto points, and 3) the degree of alignment between partisanship and social and ideological cleavages (i.e., “partisan polarization”). This point is illustrated by Figure 1.2.



Incorporating this conjuncture-based argument into the theory, the theory indicates that political gridlock will be most severe when there are multiple veto points, veto points are controlled by different political parties, and there is a strong alignment between social groups, parties and ideologies (see Table 1.1, page 74). The presence of multiple veto points provides

numerous opportunities for the opponents of legislation, enhancing their power over the outcomes of the legislative process. Since these veto points are controlled by different parties, it means that one party can block the legislative proposals of another party. A strong alignment of partisanship with social cleavages with partisan and ideological divisions increases the intensity of conflicts between political parties. Since partisan conflict is intense, the parties will have a strong tendency to take advantage of the veto points to block political decisions. Thus, the combination of multiple veto points, split partisan control, and strong partisan polarization is highly conducive to gridlock.

Table 1.1 - Theory of Political Decision-Making: Possible Conjunctures		
<i>High Level of Partisan Polarization</i>		
	<i>Split Party Control</i>	<i>Single Party Control</i>
<i>Many Veto Points</i>	Very High Level of Gridlock	Low Level of Gridlock
<i>Few Veto Points</i>	High Level of Gridlock	Very Low Level of Gridlock
<i>Low Level of Partisan Polarization</i>		
	<i>Split Party Control</i>	<i>Single Party Control</i>
<i>Many Veto Points</i>	Moderate Level of Gridlock	Moderate Level of Gridlock
<i>Few Veto Points</i>	Low Level of Gridlock	Low Level of Gridlock

With some simplifications²⁹, the theory also offers expectations regarding the results of other combinations of the factors (Table 1.1). Gridlock will be high when there is a high degree of partisan polarization, few veto points, and split party control. In this ideal-type, there is

²⁹ For the purposes of presenting these implications, I simplify each of the three factors into dichotomies, even though each factor has more than two possible states. For example, the number of veto points is at least in theory a continuous range of values, but here I just contrast cases with few veto points and cases with many veto points. Even more problematic is the simplification of partisan polarization not just to a low-high dichotomy but to a single unidimensional range. It is theoretically possible, for example, that social groups are strongly aligned with parties, but both social groups and parties are only weakly aligned with ideology, which would have a qualitatively different effect than a strong alignment between all three. However, it would be impossible here to present expectations for every imaginable permutation of the conjuncture of causal factors, and so I have opted to present a limited range of permutations rather than to present no permutations at all.

intense conflict between the parties and a veto point that allows one party to block the legislation of another party. However, since there are few veto points in the system, the expected level of gridlock will not be quite as high as if there were many veto points in the government. There are simply fewer structural opportunities for the minority party (or parties) to veto the legislative proposals of the majority party.

The level of gridlock will be low in cases where there is a high level of partisan polarization, many veto points, and a single party that controls all of these veto points. Under these conditions, the party that wins the majority of seats in the legislature and controls the executive branch is ideologically united behind a legislative agenda, the passage of which will (at least in theory) help them secure re-election. Here, the theory suggests that partisan polarization may have a reverse effect than in the other combinations in Table 1.1 (page 74) by making the majority party more cohesive, it might increase the chances of efficient political decision-making. However, since there are numerous veto points, interest groups will still have frequent opportunities to block legislation, or at least to delay its passage until there are modifications. While intra-party cohesion will tend to work against interest group pressure, the institutional configuration will favor organized opposition to policy reforms, so the theory suggests there will be a low level of gridlock under these conditions.

The theory suggests that the level of gridlock will be lowest in cases where there is a high degree of polarization, very few veto points in government, and a single party that controls all of the veto points. Members of the party have little reason to utilize the few veto points that are present to block legislation that is backed by the majority party, as their ideological goals and

electoral base is similar to those of their co-partisans. Note that in such a case, greater polarization (in the sense of an increasing alignment between party, ideology and social groups) would theoretically *reduce* the chances of gridlock, because it will reinforce intra-party cohesion by the ruling party and make it more likely that the ruling party will enact its agenda. In other words, high polarization might make the decision-making process more efficient. Thus, the effect of polarization on gridlock suggested by the literature, and reflected in the third claim of my theory, may be more contingent than generally recognized.

Moving now to the second part of Table 1.1 (page 74), the level of gridlock will tend to be moderate in cases where there is low polarization, many veto points, and split control of the veto points. Under these conditions, there are numerous structural opportunities to block legislation, and parties have the ability to block the legislative agenda of the dominant party. The level of gridlock will be mitigated, however, by the low degree of polarization between the parties. Electoral cross-pressures and policy coalitions that cut across the two parties will tend to reduce the level of conflict between parties and increase the willingness to compromise; this is conducive to more efficient political decision-making. Nonetheless, political parties may seek to block the other party's legislation for strategic reasons (like preventing the other party from gaining credit for a major policy reform, even if they do not disagree on the issues), and ideological factions may take advantage of the many veto points to defend their perceived interests (for example, the Southern Democrats on civil rights legislation). With the different factors pushing in opposite directions, the result would be a moderately efficient (or moderately gridlocked) political process.

The level of gridlock will also tend to be moderate in cases where there is weak partisan polarization, many veto points, but a *single* party that controls all of the veto points. While all of

the veto points are technically under the control of one party, there is a high level of social and ideological heterogeneity within the dominant party. Disagreements between factions within the same party may lead one faction to use a veto point to obstruct legislation that it dislikes.

Additionally, elected officials may be more amenable to interest group pressure since they are less ideologically aligned with their co-partisans. Weak partisan polarization also implies greater possibilities for alliances that cut across the political parties and work to block legislation proposed by the majority party leadership. In sum, this conjuncture would theoretically result in a moderate level of gridlock (or, from the opposite angle, a moderately efficient process).

The level of gridlock will tend to be low in governments where there is a low degree of polarization between the parties, few veto points, and split party control. The institutional configuration provides few openings for the opponents of legislation – political parties, ideological factions, or interest groups - to exert their power. Even though the majority party is vulnerable to having its proposals blocked by a minority party, which controls at least one veto point, the weak polarization will make elected officials more inclined to compromises. Veto points are more likely to be used to extract concessions than to kill legislation altogether. Thus, the conjuncture will favor efficient political-decision-making, although probably not as much as under conditions where a single party controls all of the veto points.

Lastly, the theory expects there to be low gridlock when polarization is low, there are few veto points, and a *single* party formally controls all of the veto points. Gridlock will only occur if members of the dominant party break away from their co-partisans, joining with members of the other party to resist proposed policies. The structural opportunities for doing so will be very limited, which has the secondary effect of incentivizing compromise between legislators since the prospects for successfully blocking the legislation are rather low. Thus, political decision-

making will be very efficient, although possibly not as much as when polarization (and therefore intra-party cohesion) is high.

Conclusion

In this chapter, I began by reviewing sociological theories of politics and specific theories of gridlock developed by political scientists. Then I presented a new theory of political decision-making by synthesizing elements of existing perspectives. I argued that three factors, in combination with one another, influence the level of political gridlock (or, conversely, the efficiency of political decision-making): 1) the number and location of veto points in the decision-making process, 2) the pattern of partisan control of the veto points, and 3) the extent to which parties are divided in terms of social and ideological cleavages. Taken together, I offer a comprehensive theory for explaining political gridlock, an issue that is of great concern to many political scholars and commentators (e.g., Mann and Ornstein 2012) and is more broadly relevant to political sociologists' interest in explaining why certain policy proposals are enacted while others fail (e.g., Amenta 1998). In the next chapter, I explain how I will assess my theory using the case of the rise and fall of budget gridlock in California from 1969-2014.

Chapter 2: Case and Analytic Strategy

This chapter introduces the specific case that I examine in this study – the rise of budget gridlock in California from 1969-2010, then its subsequent disappearance since 2010 (California State Department of Finance [DOF] 2015) – and lays out my analytic strategy for investigating this case. I begin this chapter by explaining why studying California’s budget gridlock is important. Second, I describe the stages in California’s budget process, and a few formal changes made to this process during the time period covered by this study. Third, I describe the overall trends in the level of budget gridlock in California. Fourth, I review the few existing academic articles that address the causes of California’s budget gridlock, pulling out the implications for my own research. Lastly I will describe my analytic strategy, which involves a combination of historical and comparative methods.

To provide some background, California’s budget is the most important law enacted each year by the state government (California Citizens Budget Commission [CCBC] 1998:1, 30-31; California State Senate [CSS] 2011b:1; Krolak 1990:i, 2-3).¹ In the words of Krolak (1990:2), “the budget is a vehicle for state government to affect virtually all aspects of society” (Krolak 1990:2). As Krolak (1990:i) states,

“no single document has the wide-ranging impact on programs and individuals in California as does the state budget. Budgetary decisions affect the whole range of public services from highway and prison construction, to the level of public assistance provided in a variety of health and welfare programs, to the availability of education programs from kindergarten through higher education.”

¹ The budget bill is particularly important in California because it is the only bill that can include multiple appropriation items (CCBC 1998:30-31; Meeker 1996:46). Other bills can only appropriate money for a single purpose.

Disagreements over the budget are not simply technical issues, but are linked to “a fundamental debate on the role of government and its scope of intervention in society” (Krolak 1990:2). For this reason, the budget can become a focal point for political conflicts, both within the legislature, and between the Governor and legislators (Krolak 1990:8-9, 82-84; see Chapters 3-6 for strong evidence in support of this assertion).

Since 1969, California has had a fiscal year that begins July 1st and ends on June 30th of the subsequent calendar year, and the state budget authorizes spending for this period (CCBC 1998:28; CSS 2011:2; Krolak 1990:15).² There is no formal deadline for the enactment of California’s budget (Cummins 2012:25; Sacramento Bee 2003-06-08).³ However, the “de facto” deadline for the budget’s enactment is July 1st, since that is the start of the fiscal year.⁴ In this study, I use July 1st to measure the length of budget delays, which follows journalistic practice (cf. Bee Capitol Bureau 2007-08-04; Yamamura 2010-10-02; Yamamura, Wiegand and Sanders 2009-07-01).

Since the budget act is the most important policy document for California’s state government (CCBC 1998:1, 30-31; CSS 2011b:1; Krolak 1990:i, 2), enacting the budget is, arguably, the central task of state lawmakers (CCBC 1998:30). It follows that the increasing budget gridlock from 1969-2010 was a dysfunctional outcome for the state government and California as a whole. The state government’s repeated failure to live up to its most important

² California’s fiscal year is similar to that of most other states (CCBC 1998:28).

³ Since 1970, the State Constitution has stipulated that legislators must *pass* the budget bill by June 15 (Meeker 1996:50; Wilson 2011, 313), although there was no enforcement mechanism (Krolak 1990:3). Since voters approved Proposition 25 in 2011, legislators now lose their salary and per diem for each day the budget has not been passed after June 15th. Note here that this June 15th deadline only applies to *passage* of the budget by the legislature, not to its signature by the Governor, the final step needed for its *enactment* into law.

⁴ Cummins (2012:25) notes that this informal deadline was validated by a 2003 court case. In addition, a telling remark comes from former Senate President Pro Tem John Burton, who opined, "I've never believed in the June 15 deadline," Burton said. "June 30 is the end of the fiscal year and that's the deadline" (quoted in Bluth 2003-06-11).

responsibility led to negative repercussions both for the government and for the governed. Budget delays contributed to the decision of credit agencies to lower the state's credit rating, thereby increasing the cost of borrowing money for the state government. Within the state-level government, the cost of budget delays was born by state workers who were furloughed and, in a couple of instances, paid with IOUs instead of cash. On the level of local government, budget delays meant that transfers from state funds were unpredictably postpone. Private companies and non-profits with contracts with the state for various services faced a similar dilemma to local governments, except that it could force them out of business. Arguably the hardest hit by budget delays were the recipients of various forms of state aid, such as students dependent on Cal-Grants, families receiving childcare assistance, and MediCal patients. For these categories of Californians, budget gridlock meant increased debt, increased insecurity and increased risk of illness.

In addition to inflicting costs on Californians, budget delays typically did not result in an end-product that was arguably 'better' in the sense of resting on more sound projections of revenue and spending and taking adequate measures to prevent or alleviate budget deficits. To offer one example, the months-long budget gridlock in 2010 ended with a budget relying on unrealistic assumptions and that deferred \$5.5 billion in payments to schools and social services until the next fiscal year (Yamamura 2010-10-07). In other words, not only had budget gridlock dragged on for months, but it had resulted in a "kick-the-can-down the road budget" (Sacramento Bee Editorial Board 2010-10-07). It is not surprising, then, that budget gridlock fueled Californians' overall dissatisfaction with the state government (Hennessy-Fiske 2010-09-13; Yamamura 2010-10-02).

California's Budget Process

Here I give an overview of the different steps involved in enacting California's budget each year (see Table 2.1, page 83), during the period when California experienced an increasing level of budget gridlock, 1969 to 2010⁵. Then I briefly discuss a major change to the budget process that occurred in 2011, after voters' approval of Proposition 25 (2010) (Cummins 2012:24, 40; Wilson 2011:314). My focus is on changes to the steps of the budget process, not other changes to budgeting rules (such as expenditure limits, mandated spending, etc.). There are so many voter-approved propositions during this period that imposed rules on (or mandated) taxation, spending, and borrowing that a discussion of them is far beyond the scope of this section (see Krolak 1990:5-7, 78, 80-81; Legislative Analyst's Office 2004; Matthews and Paul 2010:46-50, 64-67, 70-72; Musso, Graddy, and Grizard 2006:6-8; Schrag 2006:100-101, 130-131, 136-137, 146-147; Smith 2008-07-31; Wassmer 2006:8-9).

Each January, the Governor presents his budget plan for the upcoming fiscal year (California Budget Project [CBP] 2010:2; DOF 2014; Krolak 1990:3). This proposal is prepared by the Department of Finance, in coordination with state agencies and departments (DOF 2012:1; 2014; Krolak 1990:3, 13-14). Before 1971, the constitution stated that governor had 30 days into the legislative session to release his proposal (Meeker 1996:50). After the passage of Proposition 3 in 1970 (Meeker 1996:50), the governor was expected to submit his proposal 10 days into the legislative session (Meeker 1996:50; also see DOF 2012:1; Krolak 1990:14). Once his budget plan is released, the Governor issues his annual State of the State address which outlines the policy proposals contained in it (DOF 2014; Krolak 1990:41).

⁵ Since the budget process has been modified in major ways several times over the state's history (CCBC 1998:28, 47; Meeker 1996:47-49), it is not possible to give a description of the budget process that applies to all years.

Table 2.1 - The Stages of California's Budget Process (1967-2010)
The governor releases his budget proposal in January
The governor's budget proposal is introduced as a bill in each house of the legislature
In both houses, budget committees make changes to the budget bill
In both houses, budget committees vote on budget bills. Once the bill receives a majority of votes, then it goes to the floor
In both houses, the floor votes on the budget bill. Once each version of the budget bill receives a majority of the vote, then a conference committee is formed to resolve differences
The conference committee votes on the revised budget bill. Once the bill receives a majority of votes, then the conference report is sent back to both houses for approval
In both houses, the floor votes on the conference report. Once the bill receives two-thirds of the vote in each house, it is sent to the governor for approval
The governor can either sign the budget into law or veto the bill. If the governor vetoes the bill, the legislature can override the governor's veto with a two-thirds vote in each house
The informal deadline for enacting the budget is July 1st, the start of California's fiscal year

The Governor's budget proposal is introduced as a bill in each house of the legislature and considered simultaneously by their respective budget committees (CCBC 1998:29; DOF 2012:2; Krolak 1990:4, 19) – the Assembly Budget Committee and the Senate Budget and Fiscal Review Committee (DOF 2012:2; 2014)⁶. In both houses, the budget committees break into subcommittees to consider particular areas of spending (CCBC 1998:29; Krolak 1990:50), composed of five-seven members each in the Assembly and three members each in the Senate (DOF 2012:2; Krolak 1990:50-51). According to the Department of Finance (2012:2), the subcommittee hearings “generally begin in late February.” The budget subcommittees receive input from the Legislative Analyst's Office (LAO), legislative staff, the Department of Finance, other state departments, and the general public (DOF 2012:2; 2014; Krolak 1990:46-49, 51). The

⁶ Before 1985, the Senate Finance Committee had responsibility for both the budget bill and other appropriations bills. In 1985, these responsibilities were split between the Budget and Fiscal Review Committee and the Appropriations Committee (Krolak 1990:49-50).

LAO is a non-partisan agency that assesses the governor's budget (including its assumptions about economic conditions) and provides recommendations to the legislature (CCBC 1998:29; DOF 2012:2; Krolak 1990:46-47); it produces a report on the Governor's budget in late February (DOF 2012:2; Krolak 1990:19-20).

Over the next few months, the budget subcommittees in both houses hold hearings and modify their respective budget bills (CCBC 1998:29; Krolak 1990:20,50), and by mid-May "the two bills are usually very different, having been amended to reflect the priorities of each house" (CCBC 1998:29). In mid-May, the Governor issues a "May Revision" of his initial budget that reflects Department of Finance data on April tax revenues and other adjustments to projected revenues and expenditures (CCBC 1998:29; DOF 2012:2; 2014; Krolak 1990:53-54). According to Krolak (1990:55), the budget subcommittees are "expected to complete their efforts and prepare their reports" around the same time. On the other hand, more recently the DOF (2012:2) stated that the legislature typically holds off on major decisions until after the May Revision.

When work is completed, each budget subcommittee reports its changes to the bill to the full budget committee (DOF 2012:2). The budget bills require simple majority votes for passage in the budget committees in each house (DOF 2014). Then the two budget bills go up for a vote on the Assembly Floor and the Senate Floor (i.e., all members of the house), respectively (DOF 2014; Krolak 1990:56). Krolak (1990:56) claims that "each house tries to approve its version by the end of May", though they frequently do not manage to do so. A crucial point is that, between 1962 and 2010, the constitution included the requirement for a two-thirds vote in order to pass the budget bill (CBP 2010:1-2; Cummins 2012:24, 40; Krolak 1990:3; Rosenberg 1993:71-72; Wilson 2011:314). (The 2/3rds rule applied to all spending bills, not just the budget, with the exception for spending on public schools [CCBC 1998:47; Krolak 1990:3; Rosenberg 1993:71-

72].) Only five other states have a similar requirement, and three of those only require 2/3rds under particular conditions (National Conference of State Legislatures [NCSL] 2008; Silva 2008).⁷

After each house succeeds in passing the budget bill, a conference committee is formed to resolve the differences between the two versions (CCBC 1998:29; DOF 2012:2; 2014; Krolak 1990:56). The formal procedure for this is as follows: one house passes its version of the budget bill, then the bill is sent to the other house for consideration (Krolak 1990:56). The second house amends the bill, then sends it back to the first house for concurrence with the amendments. The first house refuses to concur, and then the conference committee is formed to reconcile the two versions.

The budget conference committee is composed of three members appointed from each house (six members total) (CSS 2011b; Krolak 1990:56), typically including the chairs (majority party members) and vice-chairs (minority party members) of the two fiscal committees (Krolak 1990:56). The committee receives input from other legislators, legislative staff, and administration officials (CCBC 1998:29; Krolak 1990:56). Alternatively, negotiations can occur in informal meetings between the “Big Five” – the Governor, Assembly Speaker, Assembly Minority Leader, Senate President, and Senate Minority Leader (CCBC 1998:29; DOF 2012:2; 2014), a practice that began in the 1990s (CCBC 1998:29). If a deal is reached between the “Big Five”, the conference committee’s report is modified to reflect it. Each change to the bill requires the approval of two (out of the three) committee members from each house (Krolak 1990:57).

⁷ Specifically, Arkansas requires a ¾ vote for spending for most purposes (CCBC 1998:47, 78-79; NCSL 2008; Silva 2008). Rhode Island requires a 2/3rds vote for spending on “local or private purposes” (NCSL 2008); since “the state typically drafts all main appropriations bills for operations into a single budget bill, a two-thirds vote has been effectively necessary for” the budget as a whole. Illinois, Maine and Nebraska require majority votes before particular dates, but then supermajority votes afterwards – 3/5ths for Illinois and 2/3rds for the other two (CCBC 1998:78-79; NCSL 2008; Silva 2008).

Once the conference committee has completed its work, it issues a “conference report” that must be approved by the Assembly and Senate (DOF 2012:2; Krolak 1990:58). When the conference report comes before each house, it cannot be amended (CSS 2011b:7; Krolak 1990:58). If it is rejected, a new conference committee must be formed to revise the bill (Krolak 1990:59). From 1962-2010, the conference report only passed if two-thirds of the Assembly and two-thirds of the Senate voted yes.

After the conference report is passed by both houses, the bill is sent to the Governor for his signature (CCBC 1998:29; DOF 2014; Krolak 1990:3). The budget bill itself includes an “urgency clause”, language that means it will take effect either on July 1st, the start of the fiscal year, or immediately if the fiscal year has already begun (Krolak 1990:59). The budget bill is part of a larger “budget package” that also includes “trailer bills” that apply to specific parts of the budget (DOF 2012:3, DOF 2014). The Governor has 12 days to approve the budget as a whole, use the ‘line-item veto’ power to make specific spending cuts in the budget, or veto the budget (CBP 2010, 2; CCBC 1998:29; Krolak 1990:3, 21, 59). Within 60 days, the legislature may override the governors’ vetoes on a 2/3rds vote in both houses (CBP 2010, 2; CCBC 1998:29; Krolak 1990:60).

Since the passage of Proposition 3 in 1970, the Constitution included an official deadline for the legislature to *pass* the budget bill, midnight on June 15 (Meeker 1996:50; Wilson 2011, 313; also see CBP 2010, 2; DOF 2012:2; Krolak 1990:3)⁸. However, there was no enforcement mechanism for this deadline (Krolak 1990:3). Furthermore, as mentioned before, the Constitution does not include a formal deadline for the *enactment* of California’s budget

⁸ The 1970 amendment was put before voters because the government had failed to enact a budget by the start of the fiscal year in 1969 and 1970 (Meeker 1996:50), which were the first two instances of budget delays (Wilson 2011). This was meant to ensure that the budget would be passed two weeks before the start of the fiscal year, giving the Governor sufficient time to review and sign the bill by July 1st (Meeker 1996:50).

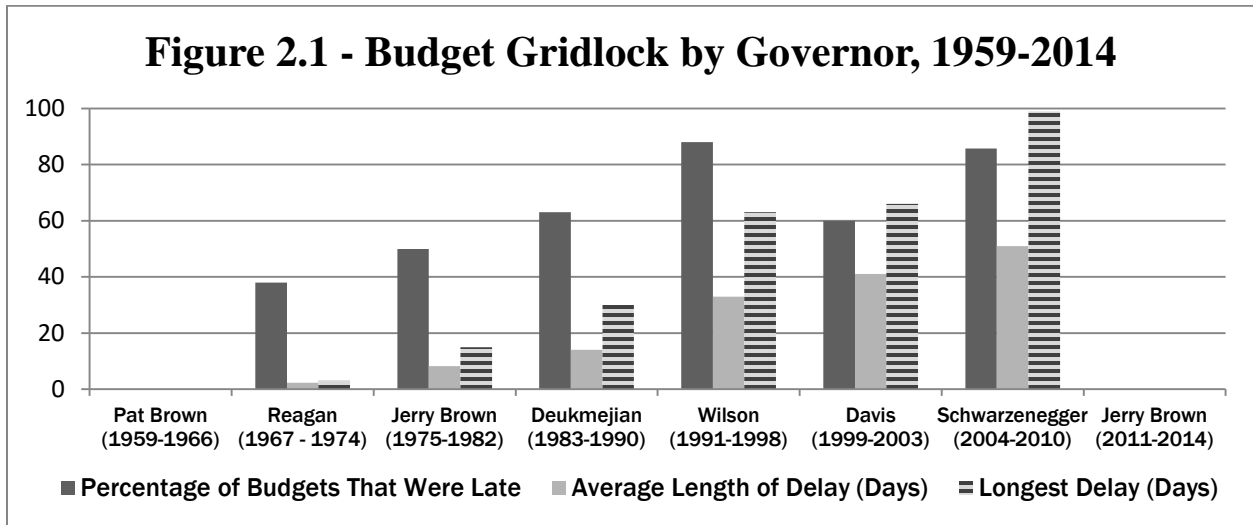
(Cummins 2012:25; Sacramento Bee 2003-06-08). The “de facto” deadline for the budget’s enactment is July 1st, since that is the start of the fiscal year. The July 1st deadline is arguably more significant than the June 15th deadline for passing a budget because the negative consequences of budget delays only begin after the start of the fiscal year on July 1st (California State Controller 2010; Hill 2001-07-04; Yamamura 2010-08-29).

In 2010, voters approved Proposition 25, which made a major change to the budget process (Cummins 2012:40; Wilson 2011:314; also see CBP 2010:1). Proposition 25 eliminated the supermajority requirement for passing the budget, which means that now only a simple majority is required instead of 2/3rds of legislators. Proposition 25 made a second change to the budget process, making it so that legislators would lose their salary and per diem for each day the budget has not been passed after June 15th (Wilson 2011:314; also see CBP 2010:1). I explore the potential consequences of this reform in Chapters 6 and 7.

Trends in Budget Gridlock in California

As mentioned earlier, California’s government experienced an increasing problem with budget gridlock from the 1970s through the 2000s, peaking in 2010. This trend consisted of both an increasing frequency with which budgets were delayed (i.e. not passed by the start of the fiscal year) and a lengthening of delays when they occurred (in terms of days passed the deadline). Figure 2.1 (page 88) displays this trend towards more frequent and lengthier delays (DOF 2015; Wilson 2011). For the figure, late budgets are defined as budgets that were enacted after the start of the fiscal year. As shown by the dark gray bars in the figure, the percentage of budgets that were late increased dramatically from Governor Reagan’s time in office (1967–1974) to Wilson’s time in office (1991-1998). It declined slightly under Governor Davis (1999-

2003), then rose again under Schwarzenegger (2004-2010). It should be noted, though, that the denominator (the number of years each served in office) differs between the governors.



A second way to measure the level of budget gridlock is to look at the average length of budget delays under different governors, which is shown by the light gray bar in Figure 2.1. There was a consistent upward trend in the average length of delays per Governor from Reagan to Schwarzenegger. Under Governor Reagan (1967-1974), the average length of delays was only 2 days; under Governor Schwarzenegger, the average length of budget delays had reached 51 days (2004-2010). A third way to measure the severity of budget gridlock is by the longest delay per Governor, shown by the striped bar in Figure 2.1. The longest delay per governor also increased steadily from 1967-2010, reaching its peak with the 99-day delay under Governor Schwarzenegger in 2010. In fact, three of the five latest budgets in California history occurred during Governor Schwarzenegger’s second term (DOF 2015). Thus, the three measures clearly show that budget gridlock grew more frequent and severe from 1969 to 2010.

However, Figure 2.1 (page 88) also shows that the trend towards increasing budget gridlock ended abruptly in 2011, at least for the time being. During Governor Brown's third term in office⁹, California has had on-time budgets, a marked change from the previous decade of record-breaking gridlock. Thus, California's recent political experience – a shift from increasingly severe gridlock to no gridlock on the budget - provides an ideal case study for examining the causes of variation in the level of political gridlock.

Studies of Budget Gridlock in California

Unfortunately, there are few academic works that have analyzed the causes of budget gridlock in California. Here I will review the few existing studies, which were discussed previously as part of my review of political science theories (in Chapter 1): Rosenberg (1993), Thorson, Vechten and Webster (2010) and Cummins (2012). I will then review several other brief academic publications on California's budget gridlock (Buchler 2009, 2011; Jarvis 2009, 2011; Quinn 2009; Willcoxin and Willcoxin 2011).

Rosenberg (1993) examined the effect of California's supermajority requirement on the 1992 budget process and found that the supermajority rule contributed to the record-late delay. Rosenberg (1993) provides the only scholarly account that I'm aware of that traces a budget process in order to explain gridlock in a particular case. However, Rosenberg's (1993) study is limited because he only examines gridlock in one year, so he does not assess whether or not the supermajority requirement was a consistent cause of budget gridlock. Furthermore, Rosenberg does not consider the effect of other factors besides the supermajority requirement on the budget process, so he presents only a partial explanation for budget gridlock in 1992.

⁹ Governor Jerry Brown served two terms from 1975 to 1982, then decades later ran for office again and became Governor for a third term from 2011-2014. He is currently serving his fourth term in office.

Thorson et al. (2010) provided a more comprehensive examination of the causes of budget gridlock in California using data from 1950 to 2004. Of particular value is their discussion of the origins and evolution of the supermajority rule for passing budgets, which I will draw on in the Chapter 3. They also provide evidence that the supermajority requirement to pass budgets by itself did not produce gridlock, since the rule long preceded the rise of budget delays in the late 1970s. Instead, Thorson et al. (2010) argued that the interaction between the supermajority requirements, partisan polarization and declining state revenue caused budget gridlock. However, their empirical evidence to support this contention is limited. They present bivariate correlations between the length of budget delays and a only three variables (one for state finances, one measure of partisan polarization, and a measure of ideological polarization amongst legislators). Furthermore, their multivariate analysis of the relationship between partisan polarization, state finances and budget delays is not fully developed (as discussed earlier). Lastly, Thorson et al. (2010) were not able to model the effects of the supermajority rule as a variable because it was present throughout the whole period of their study (1950-2004).

Cummins' (2012) study is the most comprehensive quantitative analysis of the causes of budget gridlock (1950-2003), using both difference of means tests and Prais-Winston regressions. His independent variable is a measure of the number of days passed the start of the fiscal year when a budget was enacted (with negative values indicating budgets that were enacted before the start of the fiscal year). As described above, both the difference of means test and multivariate analysis indicated that divided government contributes to longer budget delays, and the multivariate analysis also showed that partisan polarization contributes to budget delays.

Cummins (2012) also assessed the effect of other factors on budget gridlock in California: re-election years, several initiatives, and measures of fiscal conditions. Neither the

difference of means tests nor the multivariate analysis showed that budget delays were any less during re-election years than in non-re-election years. On the other hand, the difference of means tests did show that budget delays were significantly higher after three propositions than before them: Proposition 13 (property tax limitations and the supermajority rule for taxes), Proposition 98 (school spending mandate) and Proposition 111 (term limits). In the regression model, Cummins (2012) created alternate measures for the Propositions due to multicollinearity between the dummy variables.¹⁰ Proposition 13 and Proposition 98 had significant effects, increasing budget delays, while only one of the two measures for Proposition 111 was significant.

Lastly, Cummins' (2012) study provides evidence that fluctuations in state fiscal conditions influenced the length of budget delays. The economic and fiscal variables in Cummins' (2012) analysis were measures of the state's unemployment rate, the percentage change in the state's revenues for the general fund, and personal income tax (PIT) revenue volatility. The measures of the unemployment rate and PIT revenue volatility were significant, while the change in general fund revenues was not significant. Overall, based on the analysis, Cummins (2012:35) states "Divided government and party polarization...appear to be the main political environment variables driving gridlock over the long term".

While Cummins' (2012) study has considerable value, there are several shortcomings to his approach. First, like Thorson et al. (2010), Cummins (2012) was unable to evaluate the influence of the *budget* supermajority requirement on budget delays because the requirement was in place throughout the study period (1950-2003). Nor do his results provide strong confirmation

¹⁰ To represent the fiscal effect of Proposition 13, Cummins (2012) included a measure of the percentage change in property tax revenue. To represent the impact of Proposition 98, Cummins used the percentage of the state's general fund spent on K-14 education. For Proposition 140, Cummins (2012) included two variables: one for the percentage of freshman legislators in the Assembly with no prior legislative experience, and one for the combined number of years of experience of the majority party leaders.

that the supermajority requirement for taxes had an effect on budget delays, since the Proposition 13 dummy variable could not be included in the model due to multicollinearity. Second, Cummins' (2012) analysis only extends to 2003, since the partisan polarization measure he uses from Masket (2007) does not go beyond that year. Thus, Cummins' (2012) study does not include the late 2000s, arguably the most severe period of budget gridlock, or the subsequent shift to no gridlock after 2010.

The few other academic publications on budget gridlock are very short and quite limited in the empirical evidence that they present (Buchler 2009, 2011; Jarvis 2009, 2011; Quinn 2009; Willcoxon and Willcoxon 2011). Quinn (2009) is only a 3-page commentary on the origins of California's budget gridlock. It provides a few useful details, which I include in the historical chapter, but by no means offers a comprehensive explanation based on a large body of evidence. Similarly, Willcoxon and Willcoxon (2011) is a useful, but brief, 8-page discussion of the factors conducive to budget crises and budget gridlock. Jarvis (2009, 2011) and Buchler (2009, 2011) debated the extent to which redistricting contributed to partisan polarization and, as a result, to budget gridlock. Jarvis (2009) presents evidence that there are virtually no competitive districts in California since the 2000 redistricting, which he claims has reduced pressures on Democratic and Republican candidates to moderate their stances. Jarvis (2009) acknowledges that districting isn't the sole cause of polarization (much less budget gridlock), but contends that it is the easiest factor to address through reforms.¹¹ However, Jarvis (2009) does not present evidence to back up his claim that redistricting has increased polarization, nor does he present evidence linking polarization to gridlock.

¹¹ Note that Jarvis (2009) was published before *both* the 2010 redistricting reform and the elimination of the supermajority rule for budgets.

Challenging Jarvis (2009), Buchler (2009) provides indirect evidence that redistricting does not cause polarization. Using data for U.S. House elections, Buchler (2009) showed that the trend towards greater polarization over time was not matched by a trend towards the loss of marginal districts (districts where Democratic and Republican voters are evenly divided). Furthermore, within marginal districts, Congressmen have become polarized just like their colleagues in safe districts, although they are somewhat less extreme. Thus the argument that redistricting has produced polarization does not appear to hold much weight on the national level, and Buchler (2009) is skeptical of the argument being applied to California. However, Buchler's (2009) evidence of the weak relationship between redistricting and polarization is only suggestive for the case of California, since it doesn't measure polarization in the *California legislature*. Furthermore, Buchler (2009, 2011) doesn't offer evidence for the polarization-gridlock link nor for the influence of supermajority rules.

Jarvis (2011) revisited his argument following the 2010, nonpartisan redistricting reform. Using several different metrics, he found that the reform actually slightly reduced the competitive districts in the Assembly while slightly increasing competitive districts in the Senate. However, as with Jarvis (2009), Jarvis (2011) did not provide evidence to support the hypothetical links between redistricting, polarization and gridlock. In response to Jarvis (2011), Buchler (2011) argued that his data on the reform did not support the link between redistricting and polarization. Instead, Buchler (2009, 2011) claimed that the combination of partisan polarization and supermajority rules led to budget gridlock, but didn't offer supporting evidence.

In summary, existing research on the causes of California's budget gridlock is very limited. Rosenberg (1993) is the only qualitative study of budget gridlock as it occurred during a specific budget process, while Cummins (2012) is the only comprehensive quantitative analysis.

While Rosenberg (1993) provides evidence in support of the supermajority rule-gridlock link, the fact that he examines only a single year and only the influence of the supermajority rule means that his findings may not be generalizable to other years. As discussed below, I address this shortcoming in my own research by analyzing the causes of budget gridlock in multiple years and comparing between years, as well as taking into account multiple potential causes of gridlock.

Since the supermajority requirement was present during all of the years analyzed by Cummins (2012), he cannot test whether or not supermajority rules have a significant, net effect on gridlock.¹² My study addresses this shortcoming in two ways. First, by analyzing the budget process using comparative-historical methods, I can establish the causal link between the supermajority rule and gridlock in particular instances (as in Rosenberg [1993]) and assess the extent to which this relationship can be generalized to multiple years. This analytic strategy, as discussed below, also has the advantage of allowing me to describe the causal *mechanisms* that link supermajority rules to gridlock. Second, by comparing the budget process before and after the removal of the supermajority rule, I can also assess the extent to which the supermajority rule produced gridlock.

Cummins' (2012) study provides strong statistical evidence that both divided government and partisan polarization influence the length of budget delays. However, like all quantitative research, Cummins (2012) cannot show *the ways in which* causal factors lead to a particular outcome. By their nature, quantitative methods can demonstrate relationships between variables

¹² This is more generally true for all of the quantitative studies that have sought to assess the influence of supermajority rules on gridlock (Binder 1999, 2003; Cummins 2012; Jones 2001a, 2001b). One possible strategy for studies of the federal government would be to include a variable for the 1976 change in the Senate cloture vote requirement, when it was reduced from 2/3rds to 3/5ths, but to my knowledge existing studies have not taken this approach.

but cannot show how these relationships operate in the actual political process. I address this shortcoming, as mentioned in the previous paragraph, by engaging in analyses of specific budget processes and the mechanisms that link causal factors to budget delays. As discussed in more detail below, the historical method I use allows me to examine the actual conflicts between politicians and other actors that produced budget delays; in doing so, I can understand how more abstract ‘variables’ – such as whether or not there is divided government – shaped the goals, power and tactics of different groups that engaged in these conflicts.

A further shortcoming of Cummins (2012), due to data limitations, is that his analysis only extends to 2003, thus excluding the episodes of severe gridlock under Governor Schwarzenegger. Since I am not limited to quantitative measures, I can address this limitation by examining the rise of budget gridlock over its entire trajectory, including its disappearance after 2010. In summary, my study marks a major improvement on the limited existing research on California’s budget gridlock.

Analytic Strategy

My research on the causes of budget gridlock in California involves three parts. The first part is a historical narrative analysis¹³ (Büthe 2002; Griffin 1993; Gotham and Staples 1996; Stryker 1996) of the rise of budget gridlock in California, beginning in 1933 and ending in 1998. The second part of my research consists of historical narrative analyses for *each of* the annual

¹³ The term narrative analysis can refer to two quite different approaches in the social sciences - “*historical narrative analysis*”, which I use in this dissertation, and *ethnographic narrative analysis* (Büthe 2002; Gotham and Staples 1996). The latter is a methodology that analyzes the accounts and stories of individuals – i.e. *their* narratives. In contrast, in historical narrative analysis, the researcher *constructs* her/his own account of a social phenomenon by rigorously analyzing a large amount of evidence. The data may include the written and verbal recollections of the actors being studied, but it uses these accounts to construct a (relatively) accurate account of why and how a particular outcome occurred (Büthe 2002; Gotham and Staples 1996).

budget processes that occurred between 1999-2014 (16 cases). The third part is a comparative analysis of budget-years, comparing both *within* the gubernatorial periods of Davis (1999-2003), Schwarzenegger (2004-2010), and Brown (2011-2014) and *between* these three gubernatorial periods. I address each of these parts of my study in the following sections.

Historical narrative analysis of the rise of budget gridlock, 1933-1998

In my study I use historical narrative analysis to trace the causes of the rise of budget gridlock in California. This approach has its roots in Weber's ([1906] 1978c) methodological writings in the early twentieth century (Gotham and Staples 1996; Griffin 1993; Stryker 1996) and has been promoted more recently as a means to studying historical processes (Abbott 1990, 1992; Aminzade 1992; Büthe 2002; Gotham and Staples 1996; Griffin 1992, 1993; Haydu 1998; Quadagno and Knapp 1992; Stryker 1996). Historical narrative analysis entails the construction of an *analytic narrative*, which is a theoretically structured, chronological presentation of empirical evidence collected by a researcher (Aminzade 1992; Büthe 2002; Griffin 1993; Stryker 1996). In constructing the narrative, the researcher seeks to present a coherent explanation for a sequence of actions or events that lead to a particular outcome (Aminzade 1992; Büthe 2002; Griffin 1993; Haydu 1998; Stryker 1996; Weber [1906] 1978c). While some scholars promote narrative analysis as part of an anti-generalizing epistemology (Griffin 1993; Sewell 1996), in this dissertation I follow the approach of scholars that view narrative analysis as a compliment to quantitative and comparative methods - as a way to bridge contingency and generalizability in historical explanations (Abbott 1992; Büthe 2002; Quadagno and Knapp 1992; Stryker 1996). In this approach, narratives are seen as case studies that can be used to assess and modify theories (Büthe 2002; Quadagno and Knapp 1992; Rueschemeyer 2003; Stryker 1996).

My historical narrative of the rise of budget gridlock begins in the early 1930s, three decades before the first instance of a late budget (1969). My selection of this start point was based on my theoretical framework (Büthe 2002). Since my first theoretical claim is that the number and location of veto points influences the level of gridlock, I wanted to examine how the supermajority veto points were created, which began with an initiative enacted by voters in 1933. As for the end point of my historical narrative of the rise of budget gridlock, I chose to take my account up to 1998, the end of Governor Wilson's term. For strategic reasons, I investigate the ensuing years (1999-2014) in greater detail, as described in the following section.

Following from Büthe (2002), I adopt a theoretically informed approach to researching my case and selecting the evidence to include in my narrative. I looked for information pertinent to assessing the theoretical claims of my model and incorporated this information into the narrative. If I came across pieces of information that indicated alternate explanations for budget gridlock than those proposed by my theory, these were also included in my narrative. I minimized my inclusion of information that appeared extraneous to addressing my theoretical propositions or explaining the rise of budget gridlock.

Since my historical narrative analysis of the rise of budget gridlock covers a long time period in which extensive changes occurred in Californian society and politics, I cannot produce a detailed description and explanation of each instance of budget gridlock. Instead, I aim only to explain the long-term rise of budget gridlock (measured in terms of length of delays) and its association with historical changes that occurred over the course of the time period. For basic information about when budgets were enacted (and hence the length of budget delays), I used government publications (DOF 2015; Wilson 2011). For basic information about the stages and rules of the budget process (as discussed above), I drew on government reports and

documents (e.g., DOF 2014; Meeker 1996) and reports from advocacy groups (e.g., CCBC 1998). I drew on a variety of academic works, newspaper articles, and other accounts to obtain information about political conflicts and gridlock during this time period (e.g., Doerr 2000; Martin 2008; Matthews and Paul 2010; Schrag 1998).

I used academic works and other sources to understand why and how the supermajority rules for budgets and taxes were established (e.g., Doerr 2000; Haig and Shoup 1934; Lo 1990; Martin 2008; Sears and Citrin 1985; Thorson et al. 2010) and to assess the influence of *veto points* on the budget process (Theoretical Claim #1). I used information from journalists, academic works, and policy experts to obtain evidence regarding the effects of these supermajority rules on the budget process (e.g., DeBare 1992-08-11; Doerr 2000; Rosenberg 1993; Schrag 1998). To assess the extent to which *partisan control* of veto points mattered for gridlock (Theoretical Claim #2), I traced changes in the partisan composition of government and its implications given the presence of various veto points. I used government sources (California State Legislature 2014; Wilson 2011) and data from the National Conference of State Legislatures (2011, 2012, 2013, 2014) to obtain information about which party held control of the governorship during for each of the years between 1969-1998, as well as the partisan composition of the legislature in different years. Then I measured the difference between the number of seats held by the majority party in each house and the 2/3rds threshold (or, conversely, how many minority party votes were required to enact budgets) (Wilson 2011).

To assess the potential influence of partisan polarization on gridlock (Theoretical Claim #3), I used Masket (2007, 2009) and the related work of Thorson et al. (2010) to address changes in polarization within the legislature. Unlike other studies (Thorson et al. 2010, Cummins 2012), I do not treat Masket's (2007) measure of voting behavior as a *direct* indicator of partisan

polarization amongst legislators per se (since other factors also matter [Smith 2007:94-95]). Rather, I treat Masket's (2007) measure as an *indirect* indicator of the extent of partisan polarization. I draw on previous studies to obtain data on partisanship amongst the broader electorate, and on the links between partisanship, social cleavages, and ideological divisions (Bowler, Nicholson and Segura 2005; Douzet and Miller 2008; Jacobson 2004; Korey and Lascher 2006; Lascher and Korey 2011).

I also assess the extent to which gridlock is caused by specific conjunctures of the aforementioned factors – i.e., whether variation in gridlock is explainable only in terms of the whole context of factors present at different points in time. I do not presume that each factor has a separate and constant effect on gridlock, but rather am open to the possibility that the increase in budget gridlock was driven by a particular conjuncture of factors (Abbott 1992; Haydu 1998; Quadagno and Knapp 1992; Ragin 1987, 48-49). I also look for evidence that would contradict or force me to modify my claims or challenge the utility of my theory: that the combined effects of factors are different than I expected, or that the rise of gridlock was driven by factors (or combinations of factors) that were not anticipated by my theory (Abbott 1992; Ragin 1987:44, 47-49).

Turning now to the organization of my narrative, narratives are typically organized into a chronological sequence of events (or occurrences within an event), or in terms of a theoretically defined s sequence (Abbott 1992; Büthe 2002; Gotham and Staples 1996; Griffin 1992; Haydu 1998; Quadagno and Knapp 1992; Stryker 1996). In addition to events, narratives can include broader temporal contexts that impinge on events (Quadagno and Knapp 1992; Stryker 1996). Following these guidelines, I organize my own historical narrative primarily in terms of a chronological sequence of events that led to the rise of budget gridlock in California. However,

at several points I set aside a chronological ordering to describe broad historical changes that occurred over the span of a decade (or decades) and thus cannot be located at a particular point in time or analytically broken down into a series of events.

To assess the influence of various factors on the rise of budget gridlock I will use counterfactuals (i.e. thought experiments; Griffin 1993; Ragin 1987, 39; Weber [1906] 1978c). Historical narrative analysis requires heuristics, like the counterfactual, that can be used to establish causal links between different parts of the narrative (Griffin 1993; Quadagno and Knapp 1992). The counterfactual technique focuses on a single factor or occurrence and poses the question of how history might have unfolded if it was absent or different in some way (Griffin 1993; Ragin 1987:39; Weber [1906] 1978c). This allows the analyst to, roughly speaking, assess the probability that a potential cause actually mattered for later events, either by itself or in conjunction with other factors.

In this study, I use counterfactuals to roughly gauge the importance of various potential causes on the rise of budget gridlock, while keeping in mind the need to use counterfactuals in a careful manner (Griffin 1993). One helpful guideline for their use is to consider the plausibility of the imagined, alternate history (Griffin 1993; Weber [1906] 1978). Counterfactuals must be rooted in empirical knowledge of the concrete course of events; the counterfactual world should be conceptually and empirically close to what really happened in the sense that a different outcome could have probably occurred at a prior point of time, affecting the subsequent course of events. A second and related guideline is that the counterfactual must be compatible with the subjective orientations of actors and the possible courses of action that they could have chosen (Weber [1906] 1978c). I follow these two guidelines throughout my own analysis.

Historical narrative analyses of budget processes, 1999-2014

The second part of my dissertation brings the historical narrative started in Chapter 3 up to the present, but analyzes recent years in far greater detail than those covered in Chapter 3. I focus on this time period because, as shown earlier, budget gridlock reached a high point during the 2000s, but then completely disappeared in the last four years. Since this part of my research focuses on a short time period than the historical narrative analysis of the rise of budget gridlock, I am able to apply historical narrative analysis to *each* individual budget process between 1999 and 2014. The advantage of this level of detail is that I can more accurately capture *how* budget gridlock occurs and short-term factors that influence this process. This component in my study appears in three chapters, divided based on the governor in office: Chapter Four (1999-2003, Governor Gray Davis), Chapter 5 (2004-2010, Arnold Schwarzenegger) and Chapter 6 (2011-2014, Jerry Brown).

My decision to conduct separate historical narrative analyses for the long-term rise of budget gridlock and for specific budget processes in 1999-2014 is partially related to the change in my explanandum; empirically, budget gridlock was far worse in the period 1999-2010 than in previous decades, while budget gridlock virtually disappeared in 2011-2014. I chose to extend my analyses past the last instance of budget gridlock (in 2010) to lay the groundwork for my comparative analysis, discussed in the following section. My decision to conduct separate narrative analyses for recent budget processes, rather than just a single historical narrative analysis for 1969-2014, was also driven by a desire to understand both the long-term causes of increasing budget gridlock and short-term factors that account for fluctuations in gridlock from year to year.

One possible objection to my case selection is that I have chosen an arbitrary end point – 2014 - for my narrative that is not clearly informed by my theory, and may bias the substantive and theoretical conclusions that I reach. Of course, I cannot rule out the possibility that budget gridlock will occur again in the future, and under a set of conditions that are not consistent with my theory. With that said, I do hope to make the case that my research identifies a particular configuration of factors that produced budget gridlock and that, if gridlock returns in the future, it will not be due to the same configuration of causes that were important in the time period I studied (1969 – 2010).

I conducted a narrative analysis of each of the budget processes that occurred between 1999 and 2014. By *budget process*, I am referring to the sequence of events that led up to government's enactment of a budget in a given year. Each budget process begins with the governor's budget summary, released in January of the previous fiscal year, and ends with the enactment of the budget for that fiscal year. I assemble narratives that trace each budget process from beginning to end, using the sources described below. In each narrative I analyze the sequence of events that led the budget to be enacted on time or led to budget gridlock of varying lengths. In several of the cases I extend the narrative to before the start of the budget process to include events that influenced the budget process (such as the election of a new Governor). In two years – 2008 and 2009 - I extend the narrative beyond the enactment of the initial budget to when a revised budget was enacted.

I used government publications (DOF 2015; Wilson 2011) for basic information about when budgets were enacted (and hence the length of budget delays). To obtain more detailed data on the budget processes for the years 1999-2014, I identified all of the budget bills introduced during each session using the California Legislative Information database (California

State Legislative Counsel [CSLC] N.d.10; California State Legislature [CSL] N.d.44) and legislative records (California State Assembly 2009a, 2009b, 2009c, 2009d, 2009e, 2010a, 2010b, 2010c, 2010d, 2011, 2012, 2013, 2014a, 2014b, 2014c, N.d.01, N.d.02, N.d.03, N.d.04, N.d.05, N.d.06, N.d.07, N.d.08, N.d.09, N.d.10; CSS 2011a, 2012, 2013, 2014a, 2014b, N.d.01, N.d.02, N.d.03, N.d.04, N.d.05, N.d.06, N.d.07, N.d.08, N.d.09, N.d.10, N.d.11, N.d.12, N.d.13, N.d.14, N.d.15, N.d.16, N.d.17, N.d.18, N.d.19, N.d.20, N.d.21).¹⁴ I then used the California Legislative Information database (CSL N.d.40; CSLC N.d.11) to download bill histories for each specific budget bill (i.e., a record of when they were introduced, when they were referred to committee, which committees they were referred to, when they moved to the floor, etc.). This record included information about the breakdown of yes vs. no votes. For failed bills, I noted the point at the process at which they died.

I also drew extensively on news articles from California newspapers (primarily *The Sacramento Bee*) to obtain information about the sequence of events leading to each budget's (eventual) enactment, ideological disagreements between elected officials, the efforts by various interest groups and activists to influence the budget process, and the course of the conflict over each budget. I used Infoweb Newsbank to download all of the Sacramento Bee articles that mentioned "budget" in the headline or lead paragraph, and then eliminated articles that were not specifically discussing California's state budget.¹⁵ I constructed my narratives of each budget process by combining information from these news articles with information from the legislative records, supplemented with information from other newspapers and academic works (e.g.,

¹⁴ I focused on the main budget bills for each year, which I located using a variety of search terms because the legislative language describing these bills was not consistent. I also included two budget bills from 2009 that were major revisions of the 2008-09 and 2009-10 budgets, respectively. I did not include other bills pertaining to appropriations or that were minor amendments or augmentations of the budget act.

¹⁵ I included editorial and other opinion pieces in my search, but relied primarily on information from non-editorial articles.

Masket 2009). In particular, I drew on academic works and public opinion research that addressed the extent of partisan polarization amongst the broader electorate during this time period (e.g., Baldassare 2008; Douzet and Miller 2008; Jacobson 2004), which provided necessary context for my analysis of partisan conflicts in the government.

To assess the claim that the number and location of veto points influence the level of gridlock (Theoretical Claim #1), I drew on legislative bill histories and *Sacramento Bee* articles. These provided information about failed votes to pass the budget (e.g., votes that fell short of two-thirds approval) and if the bills were delayed or killed as a result of these votes. The *Sacramento Bee* articles give me more information on *how* the supermajority rules were used to either kill or delay budget bills.

To assess the claim that patterns of partisan control influence gridlock (Theoretical Claim #2), I started by obtaining information from government sources (CSL 2014; Wilson 2011) and the National Conference of State Legislatures (2011, 2012, 2013, 2014). This allowed me to establish the partisan composition of the government in different years. Then I used California newspaper articles to identify mid-session changes in partisan composition that were not apparent from the other sources (e.g., if a senator resigned unexpectedly, or an empty seat was filled in a special election). I measured the difference between the number of majority party seats and the 2/3rds threshold for enacting budgets, which indicates how many minority party votes were required to enact budgets. I then examine if this is correlated with variation in budget delays. The information from the *Sacramento Bee* articles will also allow me to assess whether or not, and how, partisan control mattered in specific instances of budget gridlock.

To assess the claim that partisan polarization influences gridlock (Theoretical Claim #3), I examined the *Sacramento Bee* articles to ascertain differences between the stated policy

preferences of Democrats and Republicans and to see if, and to what extent, they diverged over time. I also looked for differences in partisan voting behavior on budget bills, i.e., the extent to which voting on the budget was correlated with party membership. Beyond this, I looked for information that would indicate that party-line voting was influenced by legislators' own ideological preferences versus pressures from polarized constituents and/or interest groups, or alternatively pressures from officials in their own party.

Finally, I used the governor's official budget summaries (California State Governor 2000a, 2000b, 2001a, 2001b, 2002a, 2002b, 2003a, 2003b, 2004a, 2004b, 2005a, 2005b, 2006a, 2006b, 2007a, 2007b, 2008a, 2009b, 2010a, 2010b, 2011a, 2011b, 2012a, 2012b, 2013a, 2013b, 2014a, 2014b) and the Legislative Analyst's annual budget reports (California State Legislative Analyst's Office 1998, 1999, 2000, 2001, 2002, 2003, 2004b, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013) to obtain information about California's fiscal conditions – especially the overall gap between expected revenues and expected expenses. My motivation for including this data comes from Cummins (2012), which indicates that some of the variation in budget gridlock is accounted for by fiscal conditions, net of other factors. In my analysis of the *Sacramento Bee* articles, I assess if and how fiscal conditions influenced the level of gridlock in specific years.

By covering only 16 years, this part of my research allows for more fine-grained detail than the historical narrative analysis of the rise of budget gridlock (which spans 69 years altogether). This allows me to focus more on the specific actors involved in budget processes – Governors, legislators, interest groups, etc. – and their interactions with one another. I focus in particular on instances of political conflict between actors over the budget and on analyzing how these conflicts led to the occurrence (or non-occurrence) of gridlock. This includes the goals of

key actors, their strategies for pursuing these goals, and the resources they utilize in the struggle against other actors. In turn, I analyze how actors respond to the maneuvers of their opponents with their own tactics. In other words, I analyze conflict over the budget as a sequence of events in which opposing actors exert their power against one another.

These narratives of the budget processes (and the conflicts within them) allow me to trace the links between the broader structural causes of gridlock and the level of gridlock in specific instances. Using my budget process narratives, I can assess the extent to which actors involved in the budget process responded to structural conditions in the ways that are proposed by my theory (as suggested by Büthe 2002:482; Quadagno and Knapp 1992:486; Ragin 1987:42-44). In turn, I can assess whether or not instances of budget gridlock are temporally preceded and caused by political conflicts between actors, rather than by consensual agreement not to enact a budget on time or some other alternative explanation.

My narrative analysis of budget processes also provides a second means of assessing my conjunctural argument, enabling me to refine the generalizations that I draw from my broader historical analysis (Büthe 2002:482-483, 486; Mahoney 2000:514; Ragin 1987:44-46, 48-49). As a reminder, my theory suggests that particular conjunctures of factors will jointly influence the occurrence (or non-occurrence) of budget gridlock, and that the combination of high partisan polarization, many veto points and control of veto points by different parties is most conducive to gridlock. In my analysis of each budget process, I can identify the whole context of factors that were influential on the sequence of events, and assess the extent to which the empirical context confirms my theory (Ragin 1987:44, 48-49). Relatedly, I can examine whether there are different, unanticipated combinations of factors with different results than those that I proposed as part of my theory (Ragin 1987:44, 47-48). This includes the possibility that I find critical

factors that influenced the budget processes that I had not anticipated – contingencies (Mahoney 2000:513-514) - and that must be included in my explanation of a particular case (or cases) of budget gridlock, or that even force me to revise my overall theory.

Comparative analysis of budget gridlock, 1999-2014

The third part of my analysis, which builds on the second part, is a comparative analysis of the budget processes that occurred between 1999 and 2014, which resulted in varying levels of gridlock. This component of my study appears in Chapters 4, 5, 6, and 7. In Chapter 4, I compare the five budget processes that occurred under Governor Davis (1999-2003) and account for variation in the occurrence and length of budget delays. Similarly, in Chapter 5, I compare the seven budget processes under Governor Schwarzenegger (2004-2010) and account for variation in the level of budget gridlock. In Chapter 6, I compare between the four years of Brown's third term (2011-2014) to help explain why the budget process in these years was relatively efficient, leading to no budget delays.

In Chapter 7 I compare between the three time periods covered in Chapters 5-6. In doing so, I can draw limited historical generalizations about the causes of political gridlock in general (Ragin 1987:35). I employ the case-oriented comparative method, as described by Ragin (1987:13-14, 31, 35), which analyzes cases as wholes in order to identify the specific combinations of conditions that led to particular outcomes. Unlike Mill's (1843:420-428) method of agreement and indirect method of difference, my comparative analysis is more concerned with understanding how conjunctures between different factors influenced budget outcomes (Ragin 1987:40, 42-44, 48-49), rather than trying to isolate a single factor that can account for differences between the three periods.

In Chapter 7, I compare the gubernatorial periods of Davis (1999), Schwarzenegger (2004-2010) and Brown (2011-2014) in terms of the relative frequency of gridlock (percentage of budgets that were late) as well as the average length of delays. This comparison allows me to address the specific question of why budget gridlock was greater under Governor Schwarzenegger than under Governor Davis, and why there has been no budget gridlock under Governor Brown. I also make comparisons between specific years that occurred under different governors when such comparisons are useful for the overall analysis.

I first compare the gubernatorial periods of Davis and Schwarzenegger in order to restrict variation in the presence of veto points (the same for both periods) which allows me to focus on other factors that varied within and between the two periods (the pattern of partisan control, extent of partisan polarization, and fiscal conditions). I then compare the gubernatorial periods of Davis and Brown, which were the same in terms of Democratic control of the governorship and mostly similar in terms of the partisan composition of the legislature. In this part of Chapter 7, I assess the extent to which variation in the presence of veto points, the pattern of partisan control, polarization, and fiscal conditions account for why there was moderate gridlock under Davis but no gridlock in Brown's third term. In particular, this comparison gives me more leverage to assess the extent to which the removal of the supermajority requirement accounts for the absence of gridlock since 2010.

It is important to note how the comparative approach I use diverges from the case-oriented comparative method as applied to different social units (such as societies) (Ragin 1987:13, 31, 35). Such an approach rests on the assumption of the independence of the different cases (Büthe 2002:484, 487; Ragin 1987:5-6; see critique of this assumption in Sewell 1996:257-259, 262). Since I am comparing time periods within a single overall case, I do *not* treat the units

of analysis as isolated cases, which would be highly inappropriate given their sequential ordering within the broader case of budget gridlock in California. Instead, my comparison takes into account the potential for sequential effects (Büthe 2002:484; Haydu 1998:351; Mahoney 2000:509, 526-527; Quadagno and Knapp 1992:503-504), i.e. that the level of partisan conflict and gridlock in previous budget processes might influence the level of conflict and gridlock in subsequent budget processes.

A second way I diverge from the standard comparative case-oriented approach, which compares different and independent social units (Ragin 1987:13, 31, 35), is that the historical outcome I seek to explain involves a continuous variable element – the length of budget delays. The case-oriented approach is best suited to identifying *invariant* relationships between causes and outcomes, in which the occurrence of an outcome depends on the presence of a particular factor (or set of factors) (Ragin 1987). It is not well-suited to identifying factors that explain an outcome that is continuous, at least to a certain extent (such as the *level* of budget gridlock). For this reason, my analytic strategy employs correlations to examine how different factors influence the length of budget delays for my specific units of analysis, and situates the results of these statistical tests within my interpretive and comparative analysis of the specific cases. I do not contend at all that the comparative method I use can isolate the effects of single factors that account for variation in gridlock from year to year, as in a multivariate statistical analysis. Instead, I will use the comparison across time to make more limited historical generalizations regarding the extent to which changes in the *conjunction of factors* explain changes in the level of gridlock between years and between gubernatorial periods (Stryker 1996:307; also see Quadagno and Knapp 1992; Ragin 1987).

Conclusion

This chapter described the specific outcome that I seek to explain in this study – the rise of budget gridlock from 1969-2010, then its subsequent disappearance since 2010 (DOF 2015) – as well as my analytic strategy for investigating the causes of this variation over time. I argued that California’s experience with budget gridlock is important to understand, in of itself, because creating a budget each year is the primary task of lawmakers (CCBC 1998:30) and because of the negative consequences of failing to enact a budget on time (). This chapter also provided background on the stages of the annual budget process and the trends in the level of budget gridlock from 1969-2015, as well as. In addition, I reviewed the few existing academic works that have addressed the causes of budget gridlock in California (), and showed why a comparative-historical approach (like my own) is necessary for assessing the relationship between the supermajority rule and budget gridlock.

In the final section of this chapter, I described the three components of my analytic strategy. The first part is a historical narrative analysis of the long-term rise of budget gridlock from 1969 to 1998, which appears in Chapter 3. The second component are the narrative analyses of each of the annual budget processes that occurred between 1999 and 2014 (a total of 16 years). These narrative analyses are found in Chapters 4, 5 and 6 (organized by gubernatorial periods). The third and last component of this dissertation is a comparative analysis of the budget processes between the gubernatorial periods of Davis (1999-2003), Schwarzenegger (2004-2010), and Jerry Brown’s third term (2011-2014), in Chapter 7.

Chapter 3: The Origins and Rise of Budget Gridlock, 1933-1998

This chapter describes the rise of budget gridlock in California politics from 1969 to 1998, and presents an explanation for this trend. As described in the previous chapter, California's state government enacted all of its budgets on time (by the start of the fiscal year) before 1969 (see Table 3.1, page 112; Meeker 1996; Wilson 2011). In 1969, budgets started to be delayed, increasing steadily in frequency across the governorships of Ronald Reagan, "Jerry" Brown, George Deukmejian, and Pete Wilson (Table 3.1, Column 4). At the same time, there was a multiplicative increase in the severity of instances of budget delays, both in terms of the average length of delays and the worst delay under each Governor (Table 3.1, Columns 5 and 6).

To preview the empirical argument of this chapter, California's increasing budget gridlock over the latter half of the 20th century was the result of the conjuncture of three factors. First, voter initiatives created supermajority requirements for passing budgets and raising taxes. Second, partisan control of the government was always divided (to varying extents) throughout this time period. Third, elected officials from the two major parties became increasingly polarized on ideological lines from the 1960s through the 1990s.

Table 3.1 - Budget Gridlock by Governor, 1931-1998^a

Governor	Party Affiliation	Length of Governorship	Late Budgets (%) ^b	Average Length of Delays (Days)	Longest Delay (Days)
James Rolph Jr.	Republican	1931-1933	0%	-	-
Frank H Merriam	Republican	1935-1938	0%	-	-
Culbert L. Olson	Democrat	1939-1942	0%	-	-
Earl Warren	Republican, Democrat	1943-1952	0%	-	-
Goodwin J. Knight	Democrat	1953-1958	0%	-	-
Edmund G. Brown	Democrat	1959-1966	0%	-	-
Ronald Reagan	Republican	1967-1974	37.50%	2.3	3
Edmund G. Brown Jr. (first two terms)	Democrat	1975-1982	50%	8.25	15
George Deukmejian	Republican	1983-1990	62.50%	14	30
Pete Wilson	Republican	1991-1998	87.50%	33	63
Sources: Wilson (2011); California Department of Finance (2015)					
^a This table covers the time period discussed in this chapter, beginning with the 1933 Riley-Stewart amendment, the origin of the supermajority requirement for enacting budgets.					
^b Late budgets are defined as budgets enacted after the start of California's fiscal year, July 1st (Wilson 2011:246).					

The evidence in this chapter fits to a considerable extent, but not perfectly, with the general theory of political decision-making I presented in Chapter 1. As a reminder, this theory consists of three key propositions concerning the causes of gridlock:

- 1) the more veto points in the lawmaking process, the greater the chances of gridlock
- 2) the more that control of veto points is divided between the parties, the greater the chances of gridlock
- 3) The more that political parties are aligned with social and ideological cleavages (i.e., *partisan polarization*), the greater the chances of gridlock.

The first two claims are well-supported by my findings from the historical narrative analysis: veto points were a necessary condition for the increasing budget gridlock that California experienced from 1969-2010 (Claim #1). Divided partisan control (in various configurations)

was also a persistent condition that clearly made gridlock more likely (Claim #2). On the other hand, my historical narrative analysis does not fully support (nor definitively refute) Claim #3. I did not find clear evidence that increasing polarization amongst the *broader electorate* was causally linked to the intensification of partisan conflict at the elite level, although it is probable that it reinforced this pattern. The evidence I located only allows me to support a more limited proposition - that the increasing alignment between party and ideology amongst *political officials* was a necessary condition for the rise of budget gridlock. Another way in which my theory of political decision-making does not fit with my findings here is that I found that the state's fiscal conditions were (sometimes) an important part of the explanation for the timing and severity of gridlock. I did not anticipate this factor in my broader theory. However, fiscal conditions were not essential for gridlock to occur, whereas the three factors related to my theory (veto points, divided partisan control, and partisan polarization) were all necessary conditions.

The chapter is organized in a roughly chronological order. The first section, “The Origins of the Supermajority Rule for Budgets”, covers the period during which the supermajority requirement for enacting budgets was created, from 1933 to 1962, and provides important context for the rise of budget gridlock that occurred after this time period. The story of how budget gridlock originated and intensified begins with the (largely) unintended consequences of institutional reforms that created a major veto point in the policymaking process – the two-thirds rule for budgets (and most other spending bills).

The second section, “The Emergence of the Tax Revolt”, provides context for subsequent developments that contributed to the rise of budget gridlock. The tax revolt was a social movement of the 1960s-1970s that sought to cut property taxes, in response to rapidly rising tax bills (Lo 1990; Martin 2008; Sears and Citrin 1985). As I will argue, the tax revolt shifted in a

rightward direction and resulted in the creation of another veto point – the two-thirds rule for taxes – and increasing partisan polarization.

The third section, “Reagan and the Beginning of Budget Gridlock,” covers the period of Reagan’s governorship (1967-1974). It addresses conditions that were conducive to budget delays, which began to occur during Reagan’s first term in office – the two-thirds rule for passing budgets, divided partisan control, and rising partisan polarization amongst elected officials. This section also discusses the growth of the tax revolt during this period and the state government’s responses.

The fourth section, “Jerry Brown, the Tax Revolt, and its Aftermath”, covers the first and second terms of Democratic Governor Jerry Brown (1975-1982).¹ It continues the discussion of both the rise of budget gridlock and the tax revolt, which culminated in the passage of Proposition 13. In regards to its causes, I show how the two-thirds rule for spending (ironically) prevented the state from effectively responding to the rapid increase in property tax bills. I also show that the creators of Proposition 13 leveraged popular mobilization against property taxes to impose a further restriction on the legislature, a two-thirds rule for raising taxes. Regarding its consequences for gridlock, Proposition 13 contributed to the problem in two ways: the two-thirds rule for taxes became a key veto point in future decades, and it spurred a rightward shift in the Republican Party, which in turn led to increasingly intense conflicts over taxes and spending.

The fifth section, “Deukmejian and Gridlock under Divided Government,” covers episodes of budget gridlock period under Republican Governor George Deukmejian (1983-1990). It presents evidence regarding how the combination of the shift in partisan control of the governorship and increasing partisan polarization made the frequency and length of budget

¹ Brown returned to the office decades later, in 2010, for a third term (Wilson 2011). He is currently serving his fourth term as governor.

delays increase. During Deukmejian's governorship, worsening fiscal conditions also added to the intensification of conflicts over the budget and, in doing so, led to longer budget delays.

The sixth section, "Wilson, Fiscal Crisis, and Intensifying Gridlock", covers the severe budget gridlock during Wilson's governorship (1991-1998). It shows how the state's fiscal crisis in Wilson's first term produced a major spike in budget gridlock. Yet lengthy budget delays also occurred during Wilson's second term, when the state had a surplus, so fiscal conditions were not a necessary condition for budget delays. A second change - increasing partisan polarization (not just ideologically, but now also on racial lines) – made budget delays more likely even when fiscal conditions were positive.

1933-1966: The Origins of the Supermajority Rule for Budgets

The creation of the supermajority requirement for enacting budgets began with the voter-approved enactment of Senate Constitutional Amendment #30, commonly referred to as the Riley-Stewart amendment, in 1933 (Doerr 2000; Matthews and Paul 2010; Meeker 1996; Silva 2008; Stockwell 1939:186; Thorson, Vechten and Webster 2010). However, it only evolved into its modern form with an obscure initiative in 1962, Proposition 16 (Matthews and Paul 2010; Meeker 1996; Silva 2008; Thorson et al. 2010). Once this institutional rule had been created, it became locked into the constitution, impossible for the California legislature to change (Matthews and Paul 2010). Thus the legislature was subjected to a rule imposed by voters, created with little forethought, and only alterable by voters (Mathews and Paul 2010; Quinn 2009; Thorson et al. 2010). As my analysis demonstrates, the supermajority requirement created a veto point that would be utilized to obstruct budgets; it was a necessary condition, though not sufficient, for the pattern of increasing budget gridlock in the late twentieth century.

1933 - The Creation of the (Proto-) Supermajority Rule

The *proto*-supermajority rule – what would *later* become the supermajority rule for budgets – was born out of the economic and fiscal crisis in Depression-era California (Chambers 1952:115-116; Haig and Shoup 1934:288-289; Hartley, Sheffrin and Vasche 1996; Martin 2008:28-29; Stockwell 1939:168). Personal incomes dropped in the early 1930s, making it more difficult for property owners to pay their property tax bills, even as the average value of properties declined (Chambers 1952:115; Hartley et al. 1996; Martin 2008:28-29). Farmers in particular were burdened, as prices for agricultural goods- and hence their incomes - were plunging, making it harder to pay their taxes, and leading to a wave of foreclosures (Chambers 1952:115).

This burden was worsened for many property owners in this period by two practices of local assessors: uneven “fractional assessment” of property values, and copying the rolls from previous years (Chambers 1952:116; Martin 2008:6-7, 27-29). To understand how these practices worked and why they hurt many property owners, it is necessary to know that individuals’ property taxes were (and continue to be) determined by two factors: the assessed value of their property and the property tax rate (Martin 2006:6-7, footnote 16 on page 6, 28-29; Matthews and Paul 2010:36). Local assessors estimate the assessed value of homes, and then the property tax rate is applied to the assessed value to determine the amount of property taxes owed by each property owner.

In this period, the assessed values of properties were determined solely by local assessors, who had considerable discretion (Martin 2008:6-7). Local assessors frequently engaged in fractional assessment, in which they assessed the value of properties at a lower value than (i.e., a fraction of) the full *market value* of properties. Furthermore, they engaged in *uneven*

fractional assessment; they assessed properties at widely varying proportions of their full market value, so the property tax burden was unequally distributed (Chambers 1952:116; Martin 2008:27). Second, local assessors frequently copied the assessment rolls from previous years rather than re-assessing properties on an annual basis (Martin 2008:6-7). This meant that property tax bills did not vary directly with changes in the actual market value of homes, even when tax rates were constant.

During the Great Depression, there were two consequences of these practices that heightened the burden on property owners. First, some properties – especially small farms – were assessed at higher ratios than other properties, so their owners were particularly hard-hit by their property tax bills (Chambers 1952:116). Second, the practice of copying the rolls from previous years meant that the assessed values of homes did not fall in accordance with the drop in property values (Martin 2008:28-29). Thus, relative to property values, the size of property tax bills was increasing for some homeowners (Martin 2008:28-29).

As a consequence of the drop in incomes and burdensome property tax bills, many Californians failed to pay their property taxes and made demands for tax relief (Chambers 1953:115-116; Hartley et al. 1996; Martin 2008:28-29). In Southern California, associations of owners threatened to withhold taxes in 1932. Martin (2008:28) characterizes this mobilization as a tax revolt, presaging the tax revolt of the 1960s-1970s². Their actions prompted State Controller (and head of the Equalization Board) Ray Riley to say that relief was necessary to forestall “a tax strike and resulting chaos” (quoted in Martin 2008:29).

The Great Depression also led to a severe budget crisis, both for local governments and the state government. The rising number of property tax delinquencies cut into revenues for local

² Sheffrin 2010:672 also highlights parallels between the 1930s anti-tax movement and the 1960s-1970s movement.

government (Chambers 1952:116; Stockwell 1939:168). Additionally, the general fall in property values led to a drop in property tax revenues for local governments (Haig and Shoup 1934:289; Silva 2008; Stockwell 1939:168). Where assessors conducted reassessments of property values between 1930 and 1932, property valuations decreased, on average, by 20 percent. Since local governments relied heavily on property taxes, this meant a severe budget crunch (Chambers 1952:116; Haig and Shoup 1934:289; Stockwell 1939:168-169). On the spending side, the Depression was making more people dependent on government aid, further worsening local government's budget problems. In response to the severe budget crunch, county officials heightened their demand for relief from responsibility for school spending (Hartley et al. 1996).

On the state level, revenues for the general fund fell³ even as expenditures grew (Doerr 2000:33; Haig and Shoup 1934:289-290; Stockwell 1939:168). This led to a state budget deficit that grew to \$10 million in the 1931-1933 fiscal period, and that was projected to grow to \$35 million by the 1933-1935 fiscal period (Haig and Shoup 1934:288-289). At the same time, the California public mostly had a negative view of the growth of government expenditures, which had been occurring for a decade (Haig and Shoup 1934:291; Hartley et al. 1996; Stockwell 1939:165).

Proposals for tax reform had been developed in the late 1920s by various interest groups (such as building owners and managers associations, the California Farm Bureau Federation, and the County Supervisors Association) but the tax revolt and budget crisis of the early 1930s provided a new impetus for tax reform (Chambers 1952:117-118; Haig and Shoup 1934:291;

³ In this time period, the state had no income tax or sales tax (Doerr 2000:22, 29, 33). Instead, state revenues came from a tax on gross receipts on public utilities and insurance companies, a franchise tax on corporations and banks, and a property tax that applied only to public utilities, insurance companies and banks.

Martin 2008:28-29; Stockwell 1939:164). Pressure for reform also came from county officials; the decline in property tax revenues meant declining resources for schools, so county officials sought relief from responsibility for school spending (Hartley et al. 1996). A coalition of real estate firms, farmers, teachers, county officials and others backed a 1932 initiative, Proposition 9, to transfer part of the burden of school spending from localities to the state, and to pay for this by creating state income and sales taxes (Chambers 1952:118-119; Haig and Shoup 1934:291; Hartley et al. 1996; Stockwell 1939:164). The transfer of part of school costs to the state was purportedly a way to provide property tax relief, based on the notion that local governments would be less burdened by spending responsibilities and thus less reliant on property tax revenues (Stockwell 1939:164). Proposition 9 failed on a two-to-one vote (Chambers 1952:120-121; Haig and Shoup 1934 291; Hartley et al. 1996; Silva 2008; Stockwell 1939:165). Scholars have suggested several different reasons for why the proposition failed (Chambers 1952:120-121; Haig and Shoup 1934:291; Hartley et al. 1996; Stockwell 1939:165): it was opposed by the San Francisco real estate firms and public utilities; there was popular opposition to creating a sales tax; it didn't appear to provide property tax relief; and it was seen as increasing spending on schools at a time when voters were opposed to more spending.

When the legislature met in 1933, the state government was facing the problem of a sharp decline in state revenues even as state expenditures grew (Haig and Shoup 1934:291-2; Stockwell 1939:168). Governor Rolph proposed a highly unpopular biennial budget plan to close the state's deficit, including reducing state support for schools and cutting teacher salaries (Hartley et al. 1996). The legislature disliked this proposal and rejected it (Doerr 2000:33; Haig and Shoup 1934:291-2). At the request of influential legislators, and in response to continuing public demands for tax relief, the Board of Equalization became involved (Haig and Shoup

1934:291-292)⁴; State Controller Ray Riley and Board of Equalization member Fred E. Stewart, both of whom had experience advising legislators on fiscal policy, developed an alternative plan (Chambers 1952:121-122; Haig and Shoup 1934:291-292; Hartley et al. 1996; Martin 2008:28-29; Stockwell 1939:166). The “Riley-Stewart plan” was based on Proposition 9 and other previous proposals (Stockwell 1939:166); importantly, it included the expenditure limit with a two-thirds override (Chambers 1952:122).

The “Riley-Stewart plan”, introduced to the legislature in 1933 as Senate Constitutional Amendment 30, was based on Proposition 9 and other previous proposals (Stockwell 1939:166). It was sponsored by nineteen Senators and supported by the State Board of Equalization. The bill started in the Senate Constitutional Amendments Committee, then was sent to the Committee on Revenue and Taxation, where it was extensively revised. The Senate as a whole accepted the changes from the Committee on Revenue and Taxation and voted to pass the Amendment (Haig and Shoup 1934:292; Stockwell 1939:166-167). It is important to note that the portion of the amendment that included the supermajority requirement was written by the Senate, with the backing of California Real Estate Association and taxpayers’ groups (Stockwell 1939:186).

The supporters of the amendment faced heavy resistance in the State Assembly (Chambers 1952:122-123; Haig and Shoup 1934:292; Stockwell 1939:167). It was intensely opposed by interests groups who did not want a gross receipts tax – representing farmers, merchants, and laborers – and by big city officials that did not want to lose autonomy. After five months, the legislature passed a heavily modified version, which “retained almost nothing of the original plan except the name” (Haig and Shoup 1934:292). The Assembly had removed the

⁴ The Board of Equalization had an interest in changing tax policies because it had recently lost, in 1929, its jurisdiction over the franchise tax (Haig and Shoup 1934, p. 291-2).

gross receipts tax and instead authorized the creation of “new taxes” (i.e. income and/or sales taxes), and altered the county tax limitation to placate big city officials (Stockwell 1939:186).

A coalition of real estate owners, farmers, county officials, utilities, and taxpayer organizations mobilized in support of the Riley-Stewart amendment against a less organized opposition (Chambers 1952:123-124; Hartley et al. 1996; Stockwell 1939:168). The amendment was also backed by the Governor, legislators and the state Board of Equalization (Haig and Shoup 1934:292-3; Stockwell 1939:168). The supporters of the amendment argued that it would provide relief from property taxes, while also providing state aid for schools and restricting the growth of government spending (Chambers 1952:123-124; Meeker 1996; Sheffrin 2010:670; Stockwell 1939:187). Opposition to the amendment came from some retail and labor organizations, who believed that the plan would almost certainly result in the state instituting a sales tax (Haig and Shoup 1934, 292-293; Stockwell 1939:168). (The available sources do not indicate that opposition to the amendment was based on the expenditure limit, i.e. the proto-supermajority rule). On June 27, 1933, the amendment passed by nearly a two to one margin in a special election on June 27, 1933 (Hartley et al. 1996; Martin 2008:29). Only in San Francisco were the opponents successful in getting the majority of voters to reject the amendment (Haig and Shoup 1934:292-293).

When it went before voters, the Riley-Stewart plan was described on the ballot as a way of limiting state expenditures (Doerr 2000:34) and reducing property taxes (Sheffrin 2010:670), but it didn't achieve the latter goal directly. Instead, the amendment was a convoluted set of changes to the state's fiscal structure that theoretically would result in property tax reductions, as indicated by the following description. The four key components of the plan were: 1) shifting utility property tax revenues from the state to the local level; 2) increasing the state government's

spending on education; 3) authorizing the state government to create new taxes; and 4) placing expenditure limits at the state and local levels (Hartley et al. 1996:59; Stockwell 1939:169). The shift of the utility property tax revenue to local governments was intended to broaden the tax base, and - combined with the shift of responsibility for school spending to the state level – was meant to allow localities to lessen the taxes they collected on property (Stockwell 1939:169, 174). The authorization of new taxes at the state level were meant to pay for the increase in the state’s contribution to school spending (Hartley et al. 1996:59; Stockwell 1939:169). The state expenditure limit exempted education while limiting the growth of state spending in other areas; specifically, it restricted the growth of non-education spending to 5 percent of state spending in the prior biennium (Meeker 1996:48-9; Stockwell 1939:170). The expenditure limit was intended to ensure that the legislature would have to use extra revenues to cut property taxes, rather than to increase non-education spending (Stockwell 1939:169). However, the amendment did provide some flexibility – the limit could be overridden on a two-thirds vote of the legislature (Meeker 1996:48-49; Stockwell 1939:180). This is what policy analysts call a ‘soft spending limit’, since it capped state spending growth but provided the legislature with a way around the cap. This provision can also be characterized as the ‘proto-supermajority requirement’, since it was transformed into the supermajority requirement for all budgets in the 1960s. It is also important to note that, according to Silva (2008), the ballot description of the Riley-Stewart plan failed to mention the 2/3rds rule that was part of the amendment.

The ratification of the Riley-Stewart Amendment meant that the state government had to quickly find new revenue sources to pay for its increased responsibility for school spending as well as to make up for its loss of the utility tax revenues (Haig and Shoup 1934:289; Hartley et al. 1996; Meeker 1996:48-9; Stockwell 1939:163, 170). The legislature responded to this budget

gap by creating a sales tax and personal income tax (Doerr 2000:34-35, 37; Hartley et al. 1996:68; Stockwell 1939:170). These taxes facilitated greater and sustained revenue growth in subsequent decades, and thereby allowed the state government to greatly increase state spending (Hartley et al. 1934:58, 60, 72).

Despite the intention of supporters of the Riley-Stewart amendment to restrict government spending, the expenditure limit did not achieve this goal (Hartley et al. 1996:58, 60, 72). In the three decades after the passage of the Riley-Stewart amendment, the two-thirds requirement was routinely overcome, and budget growth typically exceeded 5 percent from the previous budget period (Doerr 2000:34; Meeker 1996; Thorson et al. 2010). It was only after the supermajority requirement was modified to its current form, in 1962, that it became an important veto point in the budget process (as discussed in the following section; Silva 2008; Thorson et al. 2010). It must also be added that the lack of gridlock in this period cannot be attributed to unified partisan control of the legislature. The legislative majority party – which was the Republican Party for most of this time period – was always short of a supermajority of seats in both houses (Wilson 2011:315-316).⁵

Before moving on, it is important to note one way in which the Riley-Stewart amendment failed to lead to institutional change. Riley-Stewart called for the assessment of properties at full cash value to equalize the treatment of utility property and other property (Hartley et al. 1996:65-66), as opposed to fractional assessment. However, subsequently the state Board of Equalization decided formally that a 50 percent assessment ratio was full cash value (despite the obvious logical contradiction). Moreover, and contrary to the law, assessors continued to *informally*

⁵ In some legislative sessions from 1935-1953, Republicans held a supermajority of seats in the Senate, but not in the Assembly (Wilson 2010:315-316). From 1959-1965, Democrats held a supermajority of seats in the Senate, but not in the Assembly.

engage in assessing properties at varying ratios, essentially giving some property owners tax breaks at the expense of others (Martin 2008:27). As I will discuss later, the state's eventual response to this problem unintentionally fueled the tax revolt of the 1960s and 1970s.

1962 – Modification of the Supermajority Rule

Proposition 16 was a constitutional amendment in 1962, put on the ballot by the legislature, that was a package of multiple changes to the constitution, intended to reduce the constitution's length (Meeker 1996; Silva 2008; Thorson et al. 2010). Of central relevance to this study, one of the changes was an extension the supermajority requirement to *all budgets*, not just those that increased state spending by 5 percent or more. It is not clear where the idea to strike the 5 percent threshold came from, or how this idea made it into Proposition 16. Thorson et al. (2010) reviewed the records of the records of the Assembly Committee on constitutional amendments in 1960, as well as the Legislative Constitutional Revision Committee of 1947-1948, and the Citizens' Legislative Advisory Commission of 1962. Nowhere did they find a proposal to remove the 5 percent spending growth threshold from the Riley-Stewart plan. In fact, the Citizens' Legislative Advisory Committee recommended that the supermajority override be eliminated, allowing the legislature to increase spending above 5 percent without a supermajority vote.

Moreover, Proposition 16, let alone the supermajority rule, was not publicly debated; there was not even a ballot argument against it as a counterpoint to the ballot argument in favor of it (Thorson et al. 2010). The summary on the ballot pamphlet simply said that the amendment would remove and amend "several provisions of the Constitution solely to eliminate obsolete and superseded provisions" (quoted in Thorson et al. 2010:8). The more detailed description of the

amendment did describe the change, but stated that it would not change the “practical effect” of the provision (quoted in Thorson et al. 2010; also see Meeker 1996). This was an inaccurate characterization. It is true that it wouldn’t have mattered if the supermajority requirement had existed in this form prior to 1962, since budgets were routinely growing. However, after 1962, California would face recurring periods of economic recessions, which in turn led to budgets that decreased spending relative to prior years. In its modified form, the supermajority requirement would henceforth apply to these budgets as well. As Silva (2008) pointed out, “If the provision had remained as originally approved in 1933, only nine budgets out of the past 30 --- about one-third --- would have met the test for approval by a majority vote.” In short, Proposition 16 changed a soft spending limit with a supermajority override into a hard supermajority requirement for passing the budget without voters being informed of the significance of the change (Thorson et al. 2010).

In the ensuing years, the supermajority requirement – and the veto points it created – began to have an effect on the budget process, but did not lead to budget delays (Silva 2008; Wilson 2011). In the mid-1960s, the Republican minority in the legislature used the veto points to extract more money for school spending, while members of both parties extracted spending on their districts (Silva 2008; Thorson et al. 2010). Nonetheless, budgets continued to be enacted before the start of the fiscal year. Indeed, in the 1960s California’s legislature was heralded as a model for other states (Matthews and Paul 2010:58-59). Reforms during this period professionalized the legislature, and lawmakers in this period were highly collegial (Matthews and Paul 2010:58-59; Schrag 1998).

Nonetheless, the potential long-term effects of the newly-hardened supermajority requirement were debated by the California Constitutional Revision Commission in 1964 and

1966 (Hyink 1969:645; Meeker 1996; Thorson et al. 2010). The CCRC discussion of the supermajority rule appears to be the first sustained consideration of the issue. In the 1964 discussions, the supermajority rule was very controversial, with the governor voicing support for eliminating it, but the vote to change it failed by a small margin (3 out of 60 votes) (Hyink 1969:645; Thorson et al. 2010). In the 1966 CCRC, a contingent of commissioners argued against the rule, saying it favored no action over the imperative to pass a budget and that the rule in its altered form did not fit intention of the Riley-Stewart plan, which was to restrain the growth in state spending. Nonetheless, the majority of the commissioners on the constitutional revision commission opposed changing the requirement with the belief that the rule was necessary to protect the interests of demographic minorities, such as rural voters.

1958-1966: The Emergence of the Tax Revolt

Here I have chosen to discuss the causes and rise of the “tax revolt” that culminated with the passage of Proposition 13 in 1978, which established the supermajority requirement for raising taxes in the legislature (Doerr 2000:140; Fox 2003:54; Gamage 2009; Martin 2008; Matthews and Paul 2010; Oakland 1979; Sears and Citrin 1985). The causes of Proposition 13 have been discussed, studied and debated extensively (e.g., Fischer 1996; Lo 1990; Martin 2008; Oakland 1979; Sears and Citrin 1985). It is not my intention here to give a full explanation for this critical historical event; instead, I focus on two particular questions. The first question is where did the idea for a supermajority requirement for taxes come from, and why was it enshrined into the Constitution by voters? This relates to another key puzzle, which is why homeowners backed an initiative that “gave about two-thirds of the benefits to business owners, and only one-third to homeowners” (Lo 1990:xiii). Here I will highlight the disjuncture between

the motives and goals of the leaders of the Proposition 13 campaign and the much broader base of activists and voters who supported Proposition 13. Despite this disjuncture, homeowners turned to Proposition 13 out of desperation and brought about unintended consequences – including the supermajority requirement for taxes. The second question that I address is, to what extent did the structure of political institutions and partisan conflict within the legislature contribute to the success of Proposition 13? Specifically, I will address how the supermajority requirement for budgets helped to bring about the supermajority requirement for taxes.

California's tax revolt began in the early 1960s (Doerr 2000:79-80; Fox 2003:41-43, 46-48; Martin 2008:75). (Lo 1990:21-22) traces the movement back to tax protests that occurred as early as 1958). The tax revolt was a backlash to rising property tax bills, initially driven up by a combination of inflation in housing prices and rising tax rates. It was then exacerbated, unintentionally, by the state government's efforts to reform the property tax system to make it more fair and efficient (Lo 1990; Martin 2003; Matthews and Paul 2010; Sears and Citrin 1985).

As mentioned earlier, property tax bills are determined both by the assessed value of a property (which can differ from the market value) and the tax rate (Martin 2008:28-29; Matthews and Paul 2010:36); the tax rate is applied to the assessed value to determine what the property owner owes. Beginning in the 1950s, and accelerating in the 1960s, property tax bills were driven up both by rising home values and by rising tax rates. Throughout the 1950s, local government officials had been raising property tax levies (Doerr 2000:70). In the late 1950s, in Los Angeles County, both assessed values and tax rates were rising, triggering a wave of protests (Lo 1990:21-22). In 1965, a sharp increase in assessments, combined with inflation, triggered another spike in protest activity (Lo 1990:10-11, 21-22). A coalition of homeowners

associations, property owners and other groups formed a Coordination Council, headed by Milton Rubin of the Bev-Wilshire Homeowners Association (Doerr (2000:79-80).

The early tax revolt movement centered on middle-income and upper-middle income homeowners from across the political spectrum (Lo 1990:93-97, 113). The middle-class protestors who complained about their rising bills found that county-level government and L.A. city government were unresponsive to their concerns (Lo 1990:116). In a few locales, local business owners were also involved in protesting property tax bills, but even they found government officials to be unresponsive (Lo 1990:116). In most locales, community business leaders were indifferent to or at odds with homeowners, and the early movement was generally hostile towards big business (Lo 1990:83-85, 93-97). In some communities, antibusiness sentiment was particularly intense, and homeowners and workers sought to shift the burden of property taxation onto businesses as well as opposing redevelopment projects.

At the same time, a more conservative wing of the tax revolt was slowly developing around Howard Jarvis and commercial property owners (Lo 1990:137; Martin 2008:75). Jarvis was a retired businessman with experience in local party positions and political campaign positions (including as a campaign director for Nixon's 1960 presidential campaign) (Lo 1990:137). He ran, unsuccessfully, for the Republican nomination for U.S. Senate in 1962 (Smith 2009:188-9). Jarvis generally supported business interests and opposed taxes, government regulation and New Deal programs (Lo 1990:137; Martin 2008:75). Indeed, Jarvis described himself as "to the right of Barry Goldwater" (quoted in Martin 2008:75). Jarvis became active in the movement in 1962, when he took part in a small meeting of property owners concerned about their rising property tax bills (Doerr 2000; Fox 2003:41). Over time, he became increasingly passionate about the cause, developing the belief that property taxes were the worst form of taxes

(Martin 2008:75-76; Smith 2009:189). In the 1960s Jarvis helped to build small business support for initiatives to cut taxes, including amongst apartment owners, and he helped to write the bylaws for an emerging anti-tax coalition in 1965, the United Organizations of Taxpayers (Lo 1990:137; Martin 2008:75-76; Smith 2009:188-189).

In 1966, reform of the assessment system contributed to the rapid rise in property tax bills and, in turn, the growth of the tax revolt (Lo 1990; Fox 2003:47-48; Matthews and Paul 2010; Sears and Citrin 1985). Martin (2008) in particular has convincingly argued that the California property tax revolt was not just a product of housing inflation, but also an unintended consequence of the reform. Before the reforms, the effect of inflation could be mitigated by two informal practices that local assessors routinely engaged in: fractional assessment and copying the rolls from previous years (Martin 2008:27-8). As described earlier, with fractional assessment, the assessed values of properties were less than the market value of properties; this difference is called the “assessment ratio” (Martin 2008:27). The “assessment ratio” varied between localities and between different kinds of property (such as homes versus businesses) because assessed values were determined by elected, local assessors, who (instead of following the law) often informally assessed the value of property at below its market value. In general, homeowners benefited from fractional assessment, because it helped to keep homeowners’ tax bills low even as home prices rose (and it benefited local assessors because it helped them get re-elected) (Lo 1990:12; Martin 2008:6-7; Mathews and Paul 2010:37).

Local assessors also engaged in another practice that made assessed values deviate from market values of homes; rather than reassessing on a regular basis, they copied the rolls from previous years (Martin 2008:6-7). In the 1960s, a period of rising home prices (on average), this practice generally provided homeowners with a second implicit tax break, a buffer against

inflation. The combination of fractional assessment and postponing reassessment meant that, as time went on, the “assessment ratio” kept declining – (i.e. the assessed values of homes continuously decreased relative to market value) (Martin 2008:28).

The Assessment Reform Act of 1966 took away this implicit tax break (or subsidy) for homeowners, both increasing their property tax bills immediately and leading to steeper increases in future years (Martin 2008:6-7). To provide some context on why this reform occurred, it was prompted by a scandal involving San Francisco’s property assessor, who had received campaign donations from corporations in exchange for fractional assessments on their properties (Lo 1990:11; Martin 2008 44-45; Mathews and Paul 2010:36-38). Some legislators had advocated for reform earlier but were not successful in obtaining broader support until the scandal (Levy 1979:68); assessment reform was suddenly popular because of the perception that businesses were benefiting from corruption at homeowners’ expense. In response to the public outcry, California’s state government enacted a law in 1966 that standardized the process of assessment in two ways (Lo 1990:11, 12-14; Martin 2008:27-28, 45-46). First, A.B. 80 (1966) set the assessment ratio to 25 percent for all properties, taking away the discretion of local assessors. The assessment process for homes was automated by computers, which could lead to sharp increases in assessments (Lo 1990:12-14). For example, in Los Angeles there were double or even triple-digit assessment increases from prior years during the 1970s. Tax rates decreased only slightly in this period, so they did not compensate for the sharp increases in assessments, and resulting growth of tax bills (Lo 1990:14; Smith 1999:181). Localities were constrained in their ability to lower rates because, at the same time that home values were rising, commercial property values were falling (Levy 1979:69). The result was “the nightmare that sociologist Max Weber had forewarned...a procedurally rational system that nevertheless ground out

substantially irrational results” (Lo 1990:13). Second, A.B. 80 required annual reassessments to keep the assessment ratio at 25 percent, preventing local assessors from just copying the rolls from previous years. As an immediate result of the reform, the assessed value of properties rose, leading to a corresponding increase in property taxes (Martin 2008:4, 6-7; Sears and Citrin 1985). Furthermore, since the reform removed a buffer against inflation, it meant that as home prices increased sharply in the following decade that there would be a proportionate rise in property tax bills (Fox 2003, 48; Levy 1979:73; Martin 2008:13, 30; Matthews and Paul 2010; Sears and Citrin 1985).

Additionally, the act unintentionally shifted the burden of property taxes from businesses to homeowners in two ways (Levy 1979:69; Lo 1990:9-11, 14-15). First, prior to the reform, assessors had (on average) provided a larger tax break to homeowners than to businesses, which (at least in San Francisco and Los Angeles) tended to be assessed at above 25 percent assessment ratio; thus, the reform tended to reduce the property tax bills of businesses. In contrast, homes were typically being assessed at below a 25 percent ratio; standardization meant that homeowners went from paying an average 9 percent rate to a 25 percent rate (Lo 1990:11). Second, the act shifted the burden of property taxes onto homeowners because standardization only applied to homes, not businesses. Since businesses changed hands less regularly, assessment could not be automated like home assessment. Assessment of businesses still had to be done by local assessors using their own discretion; this allowed assessments of commercial property to be influenced by other considerations (such as business incomes and corruption), and be subject to error. Compounding the problem, the rate of inflation in home prices was exceeding the rate of inflation for business property. The combined result of automation of assessments for homes, the lack of automation for assessments of businesses, and unequal inflation in property

values was that homeowners increasingly bore the burden of property taxation (Lo 1990:14-15). As discussed in the following section, the reform unintentionally fueled the tax revolt (Martin 2008:52, 57).

1967-1974: Reagan and the Beginning of Budget Gridlock

California's pattern of budget delays began under Governor Reagan (Table 3-1) - 38 percent of budgets were late (3 out of 8) – although the delays were short, with the longest only 3 days. Nonetheless, they established a pattern of budget conflicts in which a minority of legislators would hold up budgets. Three conditions were conducive to this: the recent establishment of the supermajority rule (discussed in the previous section), the lack of unified government, and increasing polarization between legislators.

In regards to divided government, in 1966, voters replaced a Democratic Governor (Pat Brown) with a Republican Governor (Ronald Reagan), while Democrats held onto narrow majorities in the legislature (Wilson 2011:271-2, 316). Over the course of Reagan's governorship, the partisan composition of the legislature shifted back and forth between Democratic and Republican majorities (Wilson 2011:316). Nonetheless, neither party held a supermajority of seats in either chamber during any of these years. This meant that the minority party in the legislature was capable of preventing budgets from obtaining the necessary 2/3rds of votes.

In regards to partisan polarization, previous studies indicate that there was increasing partisan voting within the California legislature during this period, meaning that Democrats and Republicans increasingly diverged in their votes on legislation (Masket 2009:20, 66-67; Thorson et al. 2010:25-26). Masket (2009:20, 64-65, 67) analyzed roll call data from the California

Assembly, using Poole's DW-Nominate technique to calculate ideal points for each legislator during each legislative session from 1913-2003. His analysis showed that, prior to 1959, Democrats and Republicans were not sharply differentiated in terms of voting patterns in the legislature (Masket 2009:91-92); from 1959 on, the association between party membership and voting behavior increased exponentially. Drawing on Masket's (2007) data, Thorson et al. (2010:25-26) found a similar pattern, an increasing difference in the median voting scores of Democrats and Republicans from 1959 on.

To clarify what these aggregate trends mean, Masket (2009:91-93) compared scatterplots of the ideal points of Assembly members in the 1953 legislative session and the 1963 legislative session. Whereas in 1953 there was "considerable overlap" between the parties, in 1963 there were "only a few legislators in the center" (Masket 2009:91, 93). Thorson et al. (2010:19, 23) also compared 1953 and 1963, and found that Assembly Republicans became notably more cohesive in their voting behavior. However, comparing 1963 to 1973, the evidence is more ambiguous; 1973 Assembly Democrats were slightly more left-leaning in their voting scores, and Republicans more right-leaning, than their 1963 counterparts. Yet there were greater intra-party differences in voting behavior in 1973 versus 1963. Furthermore, the difference in the median voting score of Assembly Democrats and Republicans declined slightly during Reagan's governorship (Thorson et al. 2010:26). Thus, Thorson et al.'s (2010:19, 23) analysis suggests that the increase in partisan voting was less steady than indicated by Masket's (2009:91-92) analysis.

Nonetheless, both Masket (2009) and Thorson et al. (2010) found that, in general, partisan voting in the Assembly increased from the 1950s on, raising the question of what factor (or factors) can account for this shift. Masket's (2009) explanation for the increasing partisan

voting in the legislature begins with the elimination of “cross-filing”. Cross-filing was a practice, authorized in 1914, that allowed candidates for office to run in multiple party primaries and to not identify their party membership on the ballot (Jacobson 2004; Masket 2009:58). The practice gave a substantial advantage to incumbents (who benefited from name-recognition) and prevented the political parties from exerting control over their legislators (Masket 2009:59). A voter-passed proposition in the 1952 required candidates to identify their party membership, then the Democratic-controlled legislature eliminated cross-filing altogether in 1959 (Masket 2009:72-73, 91). According to Masket (2009:76), the inclusion of party names “rapidly changed the behavior of voters, activists, and incumbents”; “voters reacted...by voting more in line with their partisan dispositions,” party activists gained control of the nomination process, and incumbents increasingly voted on party lines. In the long run, then, the abolition of cross-filing facilitated the increasing partisan polarization of California politics, which became one of the main causes of budget gridlock (Jacobson 2004; Masket 2009:76).

1967-1968 – Reagan, the Legislature and Tax Reform

Upon first coming into office, Reagan instituted an across-the-board cut to government spending, froze government hiring, and took other moves to balance the budget (Doerr 2000:65-67). However, Reagan soon shifted his stance, proposing a tax *increase* package, which was introduced in the Senate by then-freshman Senator Deukmejian (who himself would later become Governor). Under Reagan, state spending on education doubled, state parks were expanded, and the state even enacted a very liberal abortion law (relative to other states at the same time) (Schrag 1998:98).

Early in Reagan's term, the Governor was forced to respond to growing protest over property taxes (Doerr 2000:86-87; Levy 1969:69-70). As mentioned earlier, the 1966 assessment reform set off a wave of tax protests that followed local reassessments of property across the state (Martin 2008:52). Protest activity spiked in 1967 (Lo 1990:21). At first protestors sought merely to stop or lessen the effects of reassessment and organized across the political spectrum (Martin 2008:56, 58-59). Martin (2008:57) argues that assessment reform was crucial in shifting the focus and scale of tax protests from the local to the state level. First, protestors realized that responsibility for property tax increases had switched from local assessors, who no longer had discretion, to the state government, which meant that protestors had a common target to unite against. Second, modernization also meant that reassessments would simultaneously occur in various localities, rather than as isolated episodes. Third, reform broadened the appeal of protest because reassessment became a recurrent threat, not just a one-time problem.

In 1968, Los Angeles County assessor, with the backing of anti-tax protestors, managed to place a tax cut initiative before voters (Fox 2003:47-48; Martin 2008:91-92). The main supporters were the United Organizations of Taxpayers, which had become an important organization for the tax revolt movement in the late 1960s (Lo 1990:134-135). Initially, the UOT was a coalition of homeowners and neighborhood associations, with a small amount of support from small business owners. The UOT had a generally anti-big business orientation (Lo 1990:129, 134). In some localities, homeowners were in conflict with real estate developers and big companies that were seen as getting tax breaks, and demanded higher taxes on businesses along with the elimination or reduction of the property tax (Lo 1990:133-134). In addition to conflicting with businesses, the UTO had difficulty attracting wealthier homeowners, who

weren't concerned about their increasing bills (Lo 1990:132). The orientation of the UOT started to shift when Howard Jarvis became its leader (Smith 2009:189).

The United Organization of Taxpayers was unsuccessful in getting enough signatures to put its initiative on the 1968 ballot, which proposed to entirely eliminate the property tax and increase other taxes to make up the difference (Fox 2003:46-47; Lo 1990:134; Martin 2008:76). The measure was seen as too drastic by community business leaders (Lo 1990, 134). At the same time, the LA County Assessor, Philip Watson, was promoting a less radical initiative that would have capped property taxes at 1 percent of a property's value and greatly restricted what property taxes could be used for (Martin 2008:91; Sears and Citrin 1985). Watson had been a target for public anger over rising property taxes, so he put forward the initiative as a response (Fox 2003:47; Levy 1979:69). Watson used a professional firm to get enough signatures to get Proposition 9 on the ballot but also had support from the UOT and Jarvis after they failed to qualify their initiative (Fox 2003:48; Martin 2008:91-92).

The government responded to Watson's initiative qualifying for the ballot by putting forward an alternative measure to address the problem (Doerr 2000:86-87; Levy 1979:69-70). The government's alternative exempted the first \$750 in the assessed value of a home from taxation – which at the time was a substantial exemption - and paid for the loss of revenue by increasing the state's sales tax (Doerr 2000:86-87; Levy 1979:69-70; Sears and Citrin 1985). The constitutional amendment also provided an immediate tax refund to homeowners and made other tax cuts (Doerr 2000:86-87). Even though it was not passed in time to be placed on the November ballot, passage of the legislature's tax relief plan undercut support for Watson's initiative (Levy 1979:92; Martin 2008:91-92; Sears and Citrin 1985). The initiative lost by 68 percent to 32 percent (Sears and Citrin 1985); Watson and his allies were overwhelmed by the

opposition, which included both liberals and conservatives, teachers associations and taxpayers associations, and Governor Reagan (Doerr 2000:90-91; Martin 2008:91-92). This episode illustrates that the responsiveness of the government to the property tax issue was effective at helping to stave off a more radical anti-tax measure.

1969-1971 - The First Instances of Gridlock

The 1969 budget was the first to be enacted after the start of the fiscal year (Doerr 2000:97; Wilson 2011). At the time, the Senate was evenly divided between members of the two parties, while Republicans held a narrow majority in the Assembly (Wilson 2011:316). According to Doerr (2000:97-98), minority Democrats refused to vote for the budget unless they got tax reform and more spending on schools. The budget was passed three days late after Reagan promised to spend any extra unanticipated revenues on school aid. In the same year, five tax relief proposals were introduced in the Assembly (including one from the Governor himself) but none were passed (Doerr 2000:93-95). The following year, according to Doerr (2000:98), “legislative Democrats held the budget hostage again.” Assembly Democrats were mad that a senior Democrat hadn’t been appointed to the budget conference committee and blocked the first committee report, but then accepted the second committee report after “a few cosmetic changes” had been made (Doerr 2000:98).

In 1970, the California Constitutional Revision Commission again debated the merits of the supermajority rule (as they had in 1964 and 1966); this debate was prompted in part by the first failure to pass a budget on time in 1969 (Meeker 1996). The critics of the supermajority requirement contended that it empowered the minority in the legislature to engage in partisan voting and that it potentially violated the federal constitution. Fascinatingly, the California

Supreme Court had recently ruled in another case that giving one-third of the voters the power to veto a measure essentially gave them twice as much power as the other two-thirds of voters.

Again, the majority of commissioners supported the supermajority rule, with one arguing that the rule was necessary to protect the interests of the minority of property owners from the property-less majority. Thus the proposed 1970 constitutional amendment did not alter the supermajority rule, and it would remain in place for the next four decades.

Efforts to institute further property tax relief were stalled in 1969-1971, both by opposition of local government officials and public employee unions to limits on local property tax rates, and by a conflict over leadership in the legislature (Doerr 2000:98-99, 100-101). In 1970, a Republican tax relief plan that required two thirds to pass was blocked by one vote, with all but one of the no votes coming from Democrats (who voted no because school lobbyists opposed part of the plan that would limit school spending). In the same year, control of the legislature flipped to the Democrats, while Reagan retained the governorship (Doerr 2000:103).

According to Doerr (2000:104), the state government faced a large deficit in 1971. Reagan proposed an austere budget, but Democrats resisted spending cuts and sent Reagan a budget that was heavily out of balance. Reagan signed it after using line-item veto to cut spending, but there was still a remaining deficit. After a brief summer recess, the legislature met again in September 1971 and Democrats reached an agreement with Reagan on welfare reform. Meetings between Reagan officials and legislative leaders and staff were cordial and led to a compromise on a proposal for more property tax relief paid for by other tax increases (Doerr 2000, 105-6). Though the initial plan lost support over a disagreement on limiting local property taxes, by the end of the year the legislature had passed a bill to increase taxes to offset some property tax relief.

1970-1974 - The Growing Tax Revolt and the Government's Responses

Many accounts of the tax revolt argue that the inflation in housing prices (by driving up property tax bills) was a major cause for the growing intensity of protest in the 1970s (Martin 2008; Oakland 1979; Sears and Citrin 1985)⁶. As a rough comparison, from 1960-1970, the median price of homes went from \$74,400 (adjusted to years 2000 dollars) to \$88,700 (a 19 percent increase in value) (U.S. Census Bureau 2012). In contrast, from 1970 to 1980, home prices went from \$88,700 to \$167,300 (an 88.6 percent increase in value). Increasing home values meant increasing assessments and, in turn, rising property tax bills, which was compounded by political decisions (Doerr 2000:92-93); According to Doerr (2000:92-93), the net assessed value of single-family homes increased by 58 percent from 1965-1966 to 1972-1973, while in the same period local officials continued to raise property tax rates by 34 percent. The Real Estate Research Council said that home prices in Southern California, in particular, doubled between 1972 and 1977 (Doerr 2000; Fox 2003:49).

Furthermore, as mentioned before, assessment reform meant that assessors now lacked the discretion to slow increases in assessments and, correspondingly, property tax bills (Levy 1979:74-75). The rotating basis of the assessment system – with reassessment occurring every few years rather than annually – also made the spikes in property taxes more severe (Fox 2003:47, 49). Additionally, as previously mentioned, for the most part local governments did not lower tax rates to adjust for rapid increases in home values; because commercial property assessments were growing relatively slowly at this time, local governments depended on the

⁶ An alternative explanation was advanced by Fischel (1996), who argued that Proposition 13 was an unintended and unforeseen consequence of a 1976 court case, *Serrano v. Priest*. In the case, the California Supreme Court had decided that school funding based on local property taxes was unconstitutional. He argues explicitly that if *Serrano* hadn't occurred, Proposition 13 would not have passed for two reasons: *Serrano* led to dissatisfaction in high-income neighborhoods over paying for schools in other locales, and *Serrano* prevented the legislature from offering tax relief. These two arguments have been strongly and sufficiently refuted by Stark and Zasloff (2003) and Martin (2006), so I will not discuss them further.

rising revenues from property taxes on homes (Levy 1979:76; Oakland 1979). The real estate boom mainly affected the prices of single-family housing, rather than nonresidential property (Lo 1990:15; Oakland 1979). From 1975-1978, the net assessed values of owner-occupied homes increased by 111 percent, while the assessed values for rental properties increased only by 34 percent and for businesses it increased only by 26 percent (Lo 1990:15). Furthermore, the fast-paced housing inflation and lack of coordination between different jurisdictions impeded the ability of local governments to respond by lowering tax rates (Sheffrin 2010:672). Inflation in the 1970s also drove up increases in other state taxes, as individuals moved into higher income tax brackets. California had some of the highest per-capita taxes in the country just before the vote for Proposition 13, so this contributed to homeowners' frustration (Oakland 1979; Sears and Citrin 1985).

The demographic composition of the tax revolt also shifted during the decade. Lo's (1990:141-142) research indicates that the participation of upper-income individuals in tax protest greatly increased in the 1970s compared to previous decades (Lo 1990:141-142). Despite their differences, affluent communities and middle-income communities united around opposition to the taxing power of government (Lo 1990:141-142, 158). Upper-middle class individuals contributed various resources to the anti-tax movement, such as money, skills in organization, and social connections (Lo 1990:107-108, 141-141). Upper-middle class communities were also important because they provided the basis for an alliance between suburban homeowners and business leaders, since some homeowners in these areas were themselves business owners or managers (Lo 1990:141-142, 158).

Throughout the 1970s, tax protestors repeatedly campaigned to put anti-tax initiatives before voters until they finally won with Proposition 13 (Levy 1979:7, 72-74; Martin 2008:92;

Sears and Citrin 1985). In 1970 Howard Jarvis failed to get a statewide initiative to cut property taxes onto the ballot (Levy 1979:7; Sears and Citrin 1985). In 1970 Jarvis also ran for a seat on the State Board of Equalization, which oversees state tax policy, and supported Governor Reagan's re-election campaign (Fox 2003:35). In the same year, the California Teachers Association and County Supervisors Association backed an initiative that, they contended, would lead to prop tax relief (Doerr 2000:99-100). This proposition was opposed by Reagan, many legislators, Cal-Tax, and the League of Women Voters, and was defeated 3-1 in the election.

In 1971 Jarvis campaigned to get an initiative on the ballot that copied the idea of a property tax cap from Watson's (1968) Proposition 9 (Martin 2008:92). Jarvis again failed to get enough signatures to place it on the ballot. However, he did receive 461,000 signatures, including 273,000 from LA County (Lo 1990:139). In 1972 Jarvis became head of Apartment House Association of LA County, and in this role lobbied against rent control in the state legislature and against local regulations (Lo 1990:137-138). Nonetheless, he presented himself as defender of homeowners against large foundations and corporations that got tax breaks. His simultaneous position as chair at the UTO helped him unite homeowners and business community leaders around opposition to taxes. (Lo 1990:135).

According to Doerr 2000 (110-111), at the beginning of 1972, Reagan called for property tax relief in his State of the State address, but Democrats wanted further tax increases. Negotiations between Reagan and Speaker Moretti led to a compromise plan, and it passed the Assembly, but then died in the Senate Finance Committee. A second attempt to pass the compromise plan also failed in Senate, with 4 votes short of the 2/3rds necessary to pass it.

In 1972, LA County Assessor Watson also tried to reduce property taxes with an initiative that sought to offset property tax reduction by raising the sales tax, liquor tax, cigarette

tax and corporate income tax, and also sought to limit per-pupil school expenditures (Doerr 2000:110-111; Levy 1979:71; Martin 2008:92; Sears and Citrin 1985). Most importantly, for this study, the initiative (possibly for the first time) proposed to institute a 2/3rds vote requirement for tax increases in the legislature, though it only applied to specific taxes (Doerr 2000:110-111). Watson's 1972 initiative did make it onto the ballot (Fox 2003:48; Levy 1979:72; Sears and Citrin 1985), and was backed by the CA Farm Bureau, CA Real Estate Association, Cattlemen's Association, Assessors Association, and various anti-tax groups (Doerr 2000:111). The initiative was opposed by the Governor and voted down by 2-1 in the election, in part because the government had responded to public anger with its own reform (Doerr 2000:111; Fox 2003:48; Levy 1979:72; Sears and Citrin 1985). The state government increased the homeowner's exemption to \$1750, provided some aid to renters, and put some limits on city and county tax rates (Doerr 2000:111-113; Fox 2003:48). Thus 1972 ended up being a "virtual replay of 1968" (Martin 2008:92); Jarvis didn't get enough signatures for his initiative and threw his support to Watson's initiative, while Watson's initiative made it to the ballot but was undercut by the state government's alternative measures.

According to Doerr (2000:114-115), in the 1973 legislative session, Reagan proposed a budget with record-setting spending, drawing on a large budget surplus from the previous year (Doerr 2000:114-115). Although Democrats and Reagan couldn't agree on a temporary income tax cut, the budget was passed prior to July 1 (Doerr 2000:115). The tax cut issue was resolved later. Democrats agreed to a one-time cut in the income tax, in part to undercut support for Reagan's 1973 spending limit initiative (discussed below).

According to Doerr (2000:111-113), the state government also continued to consider, and debate, how to respond to the property tax issue. Proposition 1 (the state's tax relief amendment

from the previous year) was not adequate to control the large assessment increases that property owners were facing. In 1973, assessment control proposals were introduced to the Assembly but not approved. These proposals were opposed by city and county lobbyists, public employee unions and the Reagan administration, who feared it would be used a reason to repeal property tax limits (Doerr 2000 118-119).

Governor Reagan, instead, backed a constitutional amendment to limit the growth of state taxes and expenditures (Doerr 2000:119-120; Levy 1979:72-74; Sears and Citrin 1985).

Proposition 1 would have required a two-thirds legislative majority to raise all state taxes. In this way, it resembled the Watson initiative but proposed a broader supermajority rule to apply to all taxes (Doerr 2000:110-111, 119-120). Proposition 1 also would have capped annual spending growth to the increase in state income and further tightened limits on local tax rates (Levy 1979:72-74; Sears and Citrin 1985). The justification was that Proposition 1 would help to hold property tax rates at their current levels. However, critics contended that, by limiting state taxes and spending, it could actually increase localities' reliance on the property tax, or else lead to unacceptable cuts in public spending (Sears and Citrin 1985).

Reagan's expenditure control proposal developed out of meetings between the Governor, chief advisors, staffers, and several prominent academics in 1971-1972 (Doerr 2000:119-120). He initially sought to have the proposition put in the ballot by the legislature but the legislature blocked the proposition, so Reagan turned to the initiative process. The initiative was backed by Cal-Tax, the California Real Estate Association, the California Chamber of Commerce and LA's City Council (Doerr 2000:120-122). Jarvis supported Proposition 1 and worked on the official campaign, speaking before a number of Republican and community groups to build support. However, the governor's proposition was strongly opposed by Democratic leaders, public

employee unions, the League of Women Voters, and other groups (Doerr 2000:121-122; Sears and Citrin 1985). Both supporters and opponents of the proposition were highly mobilized (Doerr 2000:120-1). Ultimately, the amendment failed by 46 to 54 percent (Sears and Citrin 1985). Despite the support from a popular Governor, a slight majority of the voting public at this time did not support general limitations on government spending and taxes, as opposed to more - narrow property tax relief.

Beginning in 1974, a boom in California real estate rapidly drove up home values and, consequently, drove up property tax bills (Levy 1979:73; Sears and Citrin 1985:22). According to Doerr, the increases in home values negated the aid provided by the homeowners' exemption laws of 1968 and 1972 (Doerr 2000:131-2). While the property tax limit established in 1972 actually led to a small drop in tax rates from 1972-1978, the growth in assessed values far outpaced this. City and county officials, for the most part, continued to spend the windfall revenues rather than reduce tax rates. The consequence, as Sears and Citrin (1985:22) put it, was that "numerous homeowners...faced abruptly higher property tax bills without a corresponding rise in their incomes". In other words, homeowners' tax bills grew faster than their ability to pay them; while homeowners benefited in the long-term from the increasing value of their homes, in the short-term more valuable homes did not give them more income to help them pay their property taxes (Fox 2003:41-42; Oakland 1979; Sears and Citrin 1985).

In 1974 the legislature responded again to the problem of rising property tax bills (Lo 1990:17-18). The homeowner's expansion was increased to \$7000 of a home's market value which, in practice, reduced tax bills by about \$200. However, in Southern California, this remedy was insufficient because property values had risen by more 10 times the size of the

exemption. A circuit-breaker provision (tax relief that kicked in at a certain level of inflation) was also introduced, but it was restricted to the elderly and pegged inversely to income.

1975 – 1982 Jerry Brown, the Tax Revolt, and its Aftermath

Under Governor Brown, half of the state's budgets were late; the average length of these delays was 8.25 days, while the longest delay was 15 days (Table 3-1). There was also considerable gridlock over tax reform, which (as discussed below) was an unintended consequence of the supermajority rule for budgets. This requirement appears to have been the key veto point through which budget bills and tax reform bills were delayed. A second major factor conducive to gridlock, in combination with the first, was the fact that neither party had the ability to enact budgets without support from members of the other party (Wilson 2011). In 1975, control of the Governorship shifted to the Democratic Party with the election of Jerry Brown. At the same time, Democrats gained a narrow supermajority in the Assembly. Assembly Democrats fell below two-thirds of seats in 1979, although they retained majorities in both houses throughout Brown's governorship. In sum, Brown and Democratic lawmakers (even if they remained cohesive) needed some Republicans to help them enact budgets.

A third factor conducive to gridlock – partisan polarization – appears to have increased during Brown's governorship (Masket 2009:90-91; Thorson et al 2010:25-26). As mentioned before, Masket's (2009:90-91) analysis showed that the association between party membership and voting behavior in the Assembly increased exponentially after 1959. Thorson et al. (2010:25-26) presented a more complicated picture for the early 1970s; however, after 1977, they too found a sharp increase in the difference between the median voting scores of Democrats

and Republicans. Thus, both Masket (2009) and Thorson et al. (2010) indicate that partisan voting by legislators increased overall during Brown's governorship.

According to Schrag (1998), Democrats and Republicans in the legislature became increasingly conflictual during this time. While the supermajority requirement for spending had only been a small problem in previous years, it became more consequential as the state became "more diverse and divided" (Schrag 1998:143). As an illustration, religious conservatives repeatedly used their veto power over budgets to insist on provisions to block Medicaid funding for abortions, although these provisions were then overturned by courts. However, compared to subsequent decades, the length of budget delays were still fairly short (Table 1).

1976-1977 - Gridlock over Tax Relief

In one area of policy – property tax relief – gridlock was quite pronounced, and had major consequences for the subsequent course of events (Lo 1990:19; Stark and Zasloff 2003:801). From 1976-1978, the legislature was paralyzed over how to respond to the tax revolt (Lo 1990:19; Schrag 1998). The legislature's failure to respond was not due to the lack of resources; the state had a growing budget surplus during this period (Schrag 1998)⁷. Instead, the supermajority requirement for budgets and appropriations played a key role in creating this paralysis (Levy 1979:82-3; Lo 1990:19; Schrag 1998). This episode of gridlock stands in stark contrast to 1968, 1974 and 1976, when the legislature responded to the early tax revolt by enacting legislation to lessen the property tax burden on homeowners (Levy 1979:71-72; Lo 1990:17-18; Martin 2008:91-92; Sears and Citrin 1985).

⁷ However, Levy (1979:82) says that both the Department of Finance and legislative staff underestimated future revenues, which made it seem as if the state had a smaller surplus. Thus, legislators were under the impression that there was less money available for tax relief than there was in actuality.

In 1975, several property tax relief proposals were introduced in the legislature, and the legislature studied problem during the fall recess (Doerr 2000 126). A 1976 bill to limit property tax collections (by making it so that tax rates fell as assessments grew) was backed by Cal-Tax and other taxpayer groups (Doerr 2000:126-127). Lobbyists for cities and counties, and public employee unions, mounted a strong effort to defeat the bill, and it failed on a 36-33 vote in the Assembly. Another measure – a constitutional amendment to establish a split roll – was revived multiple times, and passed the Senate but failed by 6 votes in Assembly. In 1976, the legislature did manage to increase the generosity of property tax relief for seniors, as well as to provide rent relief for low-income renters, but this didn't help the vast majority of homeowners.

Meanwhile, in 1976, anti-tax initiatives were even less successful than in previous years (Martin 2008:92, 101; Sears and Citrin 1985). An initiative signature campaign by the United Organizations of Taxpayers (led by Jarvis) failed to get enough signatures (Doerr 2000:139; Fox 2003:53; Lo 1990:138; Martin 2008:101). A joint initiative from LA Assessor Watson and Paul Gann also did not get enough signatures to be placed on the ballot. Gann was a former car salesman and real estate agent who founded The People's Advocate in 1974 (Fox 2003:52-53; Martin 2008, 59; Smith 1999:190). The People's Advocate, under Gann's leadership, had begun as a neighborhood crime watch group before becoming the main anti-tax group in Sacramento in 1976 (Martin 2008:59; Smith 1999:190). Gann filed the initiative petition, which had been originally drafted by Watson, and – of particular importance for this study – included a supermajority requirement for tax increases (Doerr 2000:139). One reason that the initiative signature campaigns were unsuccessful was that the anti-tax groups had split their efforts. Jarvis (on behalf of the UOT) had met with Watson and Gann to see if they could join forces, but they could not get along personally (Martin 2008:101). In addition to the failure to unite behind a

single initiative, Lo (1990:141-142) says that these initiative campaigns lacked support from upper middle-income communities. Smith (1999:190) adds that the UOT was poorly funded in fiscal year 1967-1977, with less than \$28,000 in financial support from membership fees and outside organizations. Nonetheless, even though both the Watson-Gann and Jarvis initiatives failed, in combination they had gotten enough signatures to get an initiative on the ballot (Martin 2008:101). This would pave the way for the successful campaign for Proposition 13 in 1977-1978.

In 1976-1978, organizations that supported downward redistribution of tax relief— such as the Citizens’ Action League, senior citizens groups, and anti-poverty groups – also were mobilizing around a proposal for more extensive property tax reform (Lo 1990:19; Martin 2008:102-103; Mathews and Paul 2010:41-42). Their proposal – SB-154, introduced in the legislature in 1977 (Lo 1990:19) - was a “circuit breaker” that would cut household property taxes in half for low-income Californians, with the tax credit increasing annually with inflation, and with tax increases for high-income and wealthy individuals to offset the tax reductions for poorer households (Lo 1990:19; Martin 2008:102-103; Stark and Zasloff 2003:801). In addition to SB-154, many other tax relief proposals were introduced in the legislature in 1977, but the 3 major proposals (including SB 154) focused relief on low-income households (Doerr 2000:132, 134). Doerr (2000:134-135) says this was both due to liberal ideology of legislative proponents as well as resistance of Brown to using a large amount of the surplus or raising taxes to pay for relief; this meant that relief had to be limited in size.

Democrats concentrated their efforts on enacting SB-154 (Doerr 2000:132-133, 135-136). However, the legislature failed to offer relief because the two-thirds rule allowed Republicans to block the proposal (Doerr 2000:132-133; Lo 1990:19; Martin 2008:102-103;

Mathews and Paul 2010:41-42; Schrag 1998; Stark and Zasloff 2003:801). In an ironic twist, under the supermajority rule for spending, “using state money to give taxpayers relief from the local property tax counted as spending” (Matthews and Paul 2010:42).

In the spring of 1977 CAL had organized protest actions throughout the state to pressure lawmakers to pass the bill (Martin 2008:102-103). SB-154 passed the Senate by a 1-vote margin in June, then was approved by the Assembly and sent to the conference committee to resolve differences (Doerr 2000:135). The conference committee members split relief between low-income households, renters and senior citizens. According to Doerr (2000:135), under the plan, 41 percent of homeowners would get no relief, and the majority of aid would go to low-income taxpayers (135) Another key issue in the committee was a capital gains tax break; Democrats wanted to eliminate the break, but compromised with Republicans on the committee on a reduced break (Doerr 2000:135-136). SB-154 also included other tax increases and a complicated split-roll system.

When the revised bill returned to the Senate floor for concurrence, it was defeated by a sizable opposition, 13 out of 14 Republicans in the Senate plus 10 out of 26 Democrats (Doerr 2000:136). Most objected to the circuit breaker and tax increases in the bill. It was sent back to the conference committee for further revision. When it returned to the Senate, it failed again, this time on a 21-15 vote, with all Republicans and one Democrat voting no, and several Democrats abstaining (Doerr 2000:137). Thus, to quote Doerr (2000:137), “Despite the fact that Governor Brown and all legislators identified property tax relief as the number one legislative priority in 1977, the session adjourned with no property tax relief bill on the books.”

Republicans opposed tax relief because they suspected that Governor Brown was seeking to provide a tax rebate to bolster his re-election chances (Sears and Citrin 1985). Additionally,

Republicans in the legislature wanted more property tax relief for middle and upper income households and stricter limits on government spending than did Democrats (Levy 1979:82-3; Mathews and Paul 2010:41-42). They also calculated that, if tax relief failed, voters would blame Democrats rather than Republicans. Levy writes that Senate Republicans “appear to have adopted a rejectionist stance, condemning proposals similar to those they had supported in the spring” (Levy 1979:83). More generally, though, it’s important to note that Republican politicians were not strong proponents of tax relief in the 1970s (with the exception of Governor Reagan, who would voice support for Proposition 13) (Lo 1990:19); thus Republicans had not yet embraced the anti-tax agenda that would become a defining element post-Proposition 13.

It is an over-statement to hold the two-thirds requirement and Republican obstruction as the singular cause for the government’s unresponsiveness to the growing tax revolt; Democratic officials do share some of the responsibility. According to then-Assembly Speaker Leo McCarthy, Sacramento didn’t understand the fears and distress of homeowners (Mathews and Paul 2010:40-41). Within the legislature, Democrats were divided over how to pay for relief (Levy 1979:82-3; Schrag 1998, 144; Stark and Zasloff 2003:801). Other political officials and writers place blame on Governor Brown; then Assembly-member Bill Lockyer recounts that Brown resisted using the surplus for tax reform, while others have pointed out that Brown was inattentive to the issue; for example, he didn’t put much pressure on Republicans to vote for the bill or call a special session on tax relief in late 1977 (Lo 1990:19; Mathews and Paul 2010:41-43; Schrag 1998:144). Brown himself later acknowledged that he wanted to hold on to the surplus because he expected there to be an economic downturn in the future, and he conceded that he should have listened to warnings about growing public anger (Mathews and Paul 2010:41-43; Schrag 1998:144).

Still, if not for the supermajority rule for spending, combined with Republican obstruction, it is very probable that a tax relief bill would have been enacted in later 1977, reducing the tax burden on a large number of households. Whether this would have been sufficient to forestall Proposition 13 is less obvious, but there are two reasons to think that the legislature's failure to enact reform in 1977 was an important factor that led to Proposition 13's success. First, the legislature's failure likely contributed to voters' frustration with government, as indicated by 1978 polling data showing voters perception that the government was unresponsive, thereby driving up support for Proposition 13 (Smith 1999:183). Second, Martin's (2008:107-108) analysis of tax reform in various states showed that the passage of circuit-breaker legislation lowered the probability that a state would cut property taxes. Thus, it is reasonable to tentatively conclude that the passage of property tax reform in 1977 would have decreased the chances that Proposition 13 would succeed in 1978, but not absolutely prevent it from succeeding.

1977-1978 – The Fight over Proposition 13

Proposition 13 originated in a May 1977 meeting between Paul Gann and Howard Jarvis, who agreed to pool their resources to back a joint initiative, with the caveat that they divided up the state so they wouldn't have to work together on the campaign (Martin 2008, 101). Watson and Gann had parted ways after they failed to get their initiative on the ballot in 1976 (Martin 2008:101) and because Watson was under investigation for corruption (Fox 2003:54; Martin 2008:101). The title of the petition read "Statewide - People's Petition to Control Taxation", and the heading of the ballot description read "Initiative Constitutional Amendment – Property Tax Limitation" (reprinted in Jarvis 1979:105). The proposition combined elements of Jarvis' and

Gann's previous initiatives as well as adding a few new elements (Adams 1984:164; Doerr 2000:139-141; Fox 2003:54). The key component for this study is the supermajority rule for tax increases (Doerr 2000:140; Fox 2003:54; Gamage 2009; Martin 2008; Matthews and Paul 2010; Oakland 1979; Sears and Citrin 1985), since it contributed to budget gridlock in future decades. This part of the initiative stipulated that taxes could only be raised with a 2/3rds vote in both houses of the legislature. (The initiative also prohibited any property tax increases). It was described in the petition in the following way: "Requires 2/3 vote of Legislature to enact any change in state taxes designed to increase revenues" (reprinted in Jarvis 1979:105). This was the fifth sentence of the initiative description, which used quite technical language to describe all of the provisions.

According to Doerr (2000:139-141), the supermajority requirement for tax increases was adopted from Gann and Watson's 1976 initiative. Gann insisted that it be included (Adams 1984:164; Fox 2003:54). None of Jarvis' earlier petitions had included a supermajority requirement (Doerr 2000:139-141; Fox 2003:46-47, 54; Lo 1990:134-135; Martin 2008:76, 92), and his 1968 petition explicitly authorized tax increases to compensate for the elimination of the property tax (Adams 1984:164; Fox 2003:46-47). In his own account of the tax revolt, Jarvis (1979:120) barely mentions the two-thirds requirement. He brings it up only once, in a section where he critiques state officials for assuming they would raise other taxes if Proposition 13 was approved by voters: "the politicians and bureaucrats...didn't understand that our goal was to cut taxes...They [assumed] that we wouldn't mind their raising other taxes, just as long as property taxes were cut by the same amount" (Jarvis 1979:117). Several pages later, he wrote,

"In any event, we made it possible in 13 for government officials to raise taxes-but only if they could get a two-thirds majority. We felt that was a positive limit. Before 13 it seemed like it was a lot easier to raise taxes than it was to reduce them...Proposition 13 didn't close the door all the way on new taxes. But 13 did

shut the door most of the way without making it impossible to raise taxes when necessary” (Jarvis 1979:120-121).

These passages suggest that 1) Jarvis was persuaded by Gann’s argument in favor of the supermajority rule, and 2) that the supermajority rule was intended (at least in part) to prevent the government from raising other taxes in response to Proposition 13’s passage. The latter point is also suggested by Doerr (2000:140 -141). However, it is also worth noting Jarvis’ more general anti-government views (Jarvis 1979). In the same section of his book as discussed above, Jarvis (1979:119-120) casually dismisses the potential consequences of Proposition 13’s large cut to state revenues: “Altogether, California state schools will have 73 percent as much money as they did before 13, counties will have 77 percent as much, and cities will have 85 percent as much. All of them should be able to survive and provide adequate services if they establish their priorities properly...Maybe government shouldn’t be doing everything it has been trying to do.”

Before going on, it is worth noting the other components of Proposition 13, listed here in the order they appeared on the initiative petition (reprinted in Jarvis 1979:105):

1. The initiative would restrict the property tax rate to no more than 1 percent of the assessed value of properties, which offered a huge amount of property tax relief to homeowners and businesses (Doerr 2000:140; Fischel 1996; Jarvis 1979:105; Martin 2008; Oakland 1979; Sears and Citrin 1985). This element was similar to prior initiatives from Gann and Jarvis (Doerr 2000:139-140; Fox 2003:54).
2. Second, the initiative would (re)set the assessed values of all continuously-owned properties to their 1976 levels (Fischel 1996; Jarvis 1979:105; Martin 2008; Oakland 1979; Sears and Citrin 1985). According to Adams (1984:164) and Fox (2003:54), this was a new provisions, not adopted from prior initiatives.

3. Proposition 13 would limit future increases in assessed values to 2 percent per year (Fischel 1996; Jarvis 1979:105; Martin 2008; Oakland 1979; Sears and Citrin 1985). This was a new element that essentially, limited increases in assessed values on a property-by-property basis, based on its 1976 value or, for newly purchased properties, its purchase price (Adams 1984:164; Doerr 2000:141).
4. It stipulated that properties would only be reassessed to their actual market value when they were sold (Fischel 1996; Jarvis 1979:105; Martin 2008; Oakland 1979; Sears and Citrin 1985).
5. The fifth sentence, as mentioned before, referred to the supermajority requirement (Jarvis 1979:105), an idea adopted from Gann's 1976 initiative (Doerr (2000:139-141).
6. It would prohibit the government (at any levels) from increasing or imposing any taxes on property (Jarvis 1979:105).
7. It allowed cities, counties and special districts to raise taxes, but only with the approval of 2/3rds of the voters (Doerr 2000:140; Fischel 1996; Fox 2003:54; Jarvis 1979:105; Martin 2008; Oakland 1979). This was another new element (Adams 1984:164; Fox 2003:54).

Combined with the overall rate limit of 1 percent, Proposition 13 amounted to a 57 percent reduction in property tax revenues, nearly 20 percent of revenues for all of the levels of California's government (Jarvis 1979:105; Oakland 1979). This appears to have been the main selling point of the initiative, not the supermajority rule for tax increases

The Jarvis-Gann proposal was starkly different from the antibusiness proposals that had been prevalent in middle-income communities (Lo 1990:100-101), which raises the question of why Jarvis and Gann were able to gain enough support to place Proposition 13 on the ballot and achieve victory at the polls. Lo (1990) and Smith (1999) present somewhat different answers to

this question. Lo (1990:101, 139) emphasizes the importance of a broad-based alliance of volunteers from middle class and upper-middle class communities, with support from small businesses. According to Lo (1990:45), the tax revolt movement was never professionally managed, and was a shifting coalition only loosely linked by the United Organizations of Taxpayers. In contrast, Smith (1999:175) argues that Proposition 13's success depended more on the support of "vested property interests" (175) and professional campaign organizations under the leadership of Howard Jarvis (also see Smith 1999:176, 188, 196-198). Part of the disagreement between these sources can be resolved by considering separately the campaign to place Proposition 13 on the ballot and the campaign for the initiative once it was on the ballot. As discussed below, the former involved to a great extent the efforts of volunteers and grassroots groups, whereas the latter involved the deployment of extensive financial resources by Jarvis and the UTO.

As discussed earlier, upper-middle class homeowners and small business owners had become increasingly involved in the tax revolt in the late 1970s (Lo 1990). Furthermore, Jarvis and the UOT worked to bring small commercial property owners into the coalition in support of property tax cuts (Lo 1990:110, 135, 137). Lo (1990) characterizes Proposition 13 as reflecting a compromise between the interests of upper-middle income homeowners and small businesses (Lo 1990:158, 167). Proposition 13 cut taxes for both groups, offered the biggest cuts for the biggest properties, and did not concentrate relief on low-income homeowners (or provide any direct relief to renters). Jarvis nonetheless gained the support of anti-tax groups in middle-income communities (Lo 1990:101, 102, 104-105). Partially this was due to his self-presentation as an angry militant fighting against big government, which resonated with middle-class activists' own anger and protest tactics, such as refusing to pay their tax bills. Indeed, Jarvis

himself refused to pay his property tax bill in 1976. Due to his image, many activists and homeowners overlooked Jarvis' affiliation with the apartment owners lobby and his pro-business slant (Lo 1990:105). More pointedly, Smith (1999:175) writes that Jarvis "manufactured electoral support for his measure by drawing on populist-sounding rhetoric" while in actuality advancing the interests of commercial property owners.

In July 1977, Jarvis and Gann mounted the largest petition drive in the state's history to place their initiative on the ballot (Jarvis 1979:47; Martin 2008:102). Crucially, Sears and Citrin (1985:25) point out that Jarvis and Gann began circulating petitions only after tax reform had stalled in the legislature; thus, gridlock in the legislature likely contributed to frustration with government and, in turn, to support for Proposition 13. "A veritable army of volunteers", largely from middle-class communities, collected signatures for the initiative across the state (Lo 1990:101). In Northern and Central California, Gann organized a network of volunteers and promoted the initiative to local chambers of commerce and real estate boards (Lo 1990:171; Martin 2008:102). In Southern California, Jarvis drew on the UOT's network of homeowners' associations and real estate agents and used the LA Apartment Owners' Association (LAAOA) mailing list to promote the initiative, as well as promoting it on his regular talk radio appearances and newspaper column (Martin 2008:102; Smith 1999:191). Still, Lo (1990:45, 196, 320-321) argues that volunteers from homeowner and community associations played the crucial role: the movement was not "professionally managed" or centrally organized by Gann and Jarvis. By December 1977, the signature-gathering campaign had collected 1,263,698 valid signatures, the most ever for an initiative, and was placed on the June 1978 ballot (Martin 2008:103; Smith 1999:193). Jarvis collected far more signatures than Gann; of the 1.2 million signatures submitted, Jarvis had gotten more than a million, nearly double the number needed to qualify for

the ballot (Fox 2003:55; Smith 1999:190, 192-193). The major center of support for the tax revolt continued to be Los Angeles County, which provided 739,000 signatures in favor of placing the initiative on the ballot (Lo 1990:171).

Smith (1999) takes issue with Lo's (1990:45, 196, 320-321) characterization of the signature gathering effort as a purely grassroots campaign. While acknowledging the reliance on volunteers to collect signatures, he also argues that Lo (1990) downplays the organizational resources that helped Jarvis and Gann succeed in getting Proposition 13 on the ballot. Citing Lo (1990:171) himself, Smith (1999:191-192) points out that Gann acknowledged he relied heavily on chambers of commerce, real estate agents and apartment owners to promote the initiative. Real estate agents helped distribute petition to clients while apartment owners held meetings and distributed it to their tenants. While Jarvis relied entirely on volunteers to collect signatures (rather than paid signature-gatherers), the campaign received organizational support from the LAAOA (for which Jarvis was executive director) (Smith 1999:191, 199-200). The LAAOA provided low-cost office space for the campaign's headquarters and placed ads in the LA Times "reproducing the ballot initiative petitions and urging the public to tear them out, collect signatures, and send them to the UOT (which happened to have the same address as the LAAOA)" (Smith 1999:199-200). Furthermore, contrary to Jarvis' assertions that no one was paid for their work on the campaign, the UOT paid a professional firm, Romagen, \$22,000 to publicize the signature-gathering effort (Smith 1999:190, 196). Thus, while Jarvis and Gann relied heavily on the labor of volunteer homeowners, Jarvis and Gann were also drawing on considerable support from organizations that represented the interests of commercial property owners and realtors.

The legislature didn't return to session until after Proposition 13 had qualified for the ballot (Mathews and Paul 2010:42-43), and most legislators were quite concerned about the proposition and sought to come up with an alternative relief plan (Doerr 2000:141). Governor Brown, in his State of the State address, called for \$1 billion in immediate relief to homeowners and renters; he dropped the focus on low-income homeowners and sought to craft a reform plan that could beat Proposition 13. In the Senate, SB6X was introduced to increase the homeowners' exemption and renters' credit, raise business and corporate taxes, and to limit property tax revenue coming from residential property (Doerr 2000:142). The latter part was tied to a proposition that legislators had placed on the June ballot, Proposition 8, which would split the rolls so that residential property and non-residential property could be taxed at different rates (Doerr 2000:141-142). The problems with SB6X was that it was complicated and hard to explain, and it did not provide relief proportionate to assessment increases, and the bill died in committee.

In February 1978, the legislature and Governor finally responded by enacting the Behr bill, which placed Proposition 8 on the ballot up against Proposition 13 (Levy 1979:85; Martin 2008:104; Schrag 1998; Sears and Citrin 1985). The Behr bill was introduced in the Senate as SB 1 (Doerr 2000:142-143). This bill would cut homeowners' property taxes by 50 percent but added other taxes on homeowners. After it passed the Senate, the Assembly amended the Behr bill to reduce relief for homeowners to a 30 percent cut, added a revenue limit on residential property taxes, and eliminated the tax increases. It passed the Assembly and returned to the Senate, where it won on a 32-6 vote.

However, the tax relief provided by the Behr bill was contingent on voter approval of Proposition 8 (the amendment to split the property tax rolls) (Levy 1979:84-85). The proposition

itself spoke only of taxing residential and commercial property at separate rates, not making it clear to all homeowners that Proposition 8 would automatically trigger the Behr bill and thus give tax relief (Levy 1979:84-85; Lo 1990:106). A further problem was that, even for homeowners who knew that the Behr bill would provide tax relief, the legislation offered only about half the tax reduction that Proposition 13 promised (Martin 2008:104; Schrag 1998; Sears and Citrin 1985). Howard Jarvis denounced Proposition 8 as a “cruel hoax” to trick voters (Sears and Citrin 1985).

The supporters of Proposition 13 were a highly mobilized and passionate group, especially compared to the opponents of the initiative (Sears and Citrin 1985:11). Jarvis promoted the proposition at speaking arrangements around Southern California, warning that if Proposition 13 failed, then property tax bills could go up by 100 percent or more each year (Martin 2008:103-104). Furthermore, Jarvis argued that the state’s budget surplus and the elimination of government waste would make up for any lost revenues (Sears and Citrin 1985). Drawing on the claims of Arthur Laffer, a USC economist and supporter of Proposition 13 (Fox 2003:61,73), Jarvis argued that Proposition 13 would even lead to new tax revenues by stimulating economic development in communities (Sears and Citrin 1985). At the time this notion of the “Laffer Curve” was far out of the mainstream; only later would it become a core ideological belief of anti-tax conservatives. More broadly, supporters of Proposition 13 claimed that the law would grant a cut of almost 2/3rds in property taxes, lead to reduced government spending, and lead to lower rents for tenants in apartment buildings (Sears and Citrin 1985). An additional reason for support was that the increased revenues for government were being accumulated as a surplus, rather than being spent on tax relief (Lo 1990:17; Oakland 1979; Smith 1999:183). By fiscal year 1978, the state government had a surplus of \$7 billion (Oakland 1979).

During the campaign to enact Proposition 13 (as opposed to the signature-gathering phase), the organizational resources of commercial property owners and professional firms became even more important. While Sears and Citrin (1985:26) contend that the tax revolt was mostly a “grassroots movement” of local taxpayer and homeowners associations onto which Jarvis and Gann “grafted their campaign”, not a professional effort, evidence from Smith (1999) undercuts this claim. Indeed, Smith (1990:195) contends that the UOT and LAOAA became the “crucial players in the later stages of the campaign”. By 1978, the UOT was no longer cash-poor (Smith 1999:196); it had upwards of 120,000 dues-paying members, each paying a \$5 membership fee, and donations from outside groups. In total, the Yes on 13 Committee, the UOT and Gann’s People’s Advocate collected \$2.28 million in donations, both outraising and outspending the No on 13 campaign (Smith 1999:198).

The LAAOA continued to provide important monetary and organizational resources to the campaign, despite Jarvis’ claims to the contrary (Smith 1999:200-201). As in the signature-gathering phase, the LAAOA housed the Yes on 13 campaign offices. Perhaps more significantly, Jarvis used the LAAOA’s mailing list to raise money for Proposition 13, writing pleas for donations on LAAOA letterhead. The LAAOA also made the largest contribution to the Yes on 13 campaign, at \$31,000 (Lo 1990:172).

Despite the influx of donations to Yes on 13 and related organizations, it is true that most of the campaign donations were \$1000 or less (Lo 1990:172). However, it must also be noted that these small donations were quietly utilized to pay for the assistance of professional campaign firms. Yes on 13 paid Media & Marketing Affiliates \$425,000 for television and radio ads, and hired four different organizations for fundraising and promotional services (Smith 1999:197). Romagen, for example, was paid \$114k to solicit contributions for the campaign

through direct mail (Sears and Citrin 1985; Smith 1999:197). Smith (1999) doubts that Proposition 13 would have been able to achieve victory at the polls “without the financial resources and organizational support of the LAAOA and a phalanx of professional consultants” (Smith 1999, p. 202).

Proposition 13 was opposed by “nearly the entire political establishment”, including “elected officials from both parties, local government officials and the bureaucracies (Fox 2003:59). Opponents included Governor Brown, Speaker of the Assembly McCarthy, republican candidates George Deukmejian and Peter Wilson (Sears and Citrin 1985). The California Republican Party did not endorse the initiative and only a few Republican politicians offered their support for Proposition 13 (Lo 1990:23-24).

Both big businesses and labor unions also expressed opposition to Proposition 13, including Bank of America, Standard Oil of California, the California Chamber of Commerce, the AFL-CIO and the California State Employees Association (Fox 2003:61-62, 85; Martin 2008:104; Sears and Citrin 1985). Corporate managers played a substantial role on the No on 13 campaign; for example, No on 13 was co-chaired by an ex-vice president of the Edison Company and its finance chairman was the chairman of the Board of Pacific Mutual Insurance (Fox 2003:61). Major corporations gave \$600k to the No on 13 campaign (Lo 1990:25). Big business leaders feared that a large property tax cut would drive up other taxes. It is not clear if corporate managers were simply unaware of the two-thirds requirement for raising taxes that was in the initiative, or whether they just assumed that future legislatures would be able to overcome the two-thirds rule.

Opponents of Proposition 13 contended the law would lead to drastic reductions in local services (especially schools), force the state to raise other taxes, and hurt California’s economy

(Fox 2003:61, 66-70; Martin 2008:104; Sears and Citrin 1985). Despite the opposition of big business to the initiative, other critics claimed that Proposition 13 was designed to help big business, since much of the property tax cut would benefit business property owners and landlords rather than homeowners (Fox 2003:63). The individuals and groups that opposed Proposition 13 tended to support Proposition 8, the legislature's alternative property tax reduction initiative (Martin 2008:104).

In early 1978, LA Times polling indicated that the majority of the public supported Proposition 13; 51 percent thought it was a good idea while 32 percent thought it was a bad idea, a margin of support of 19 percent (Sears and Citrin 1985). In a March/April poll, the margin of support had shrunk to 13 percent (50 percent in favor versus 37 percent opposed). In the same poll, the margin of support for Proposition 8 was substantially greater than for Proposition 13 at 30 percent (56 percent in favor to 24 percent opposed).

Several scholars argue that public opinion turned against Proposition 8, and in favor of Proposition 13, due to a May 1978 spike in property assessments in LA County (Doerr 2000:147-148; Levy 1979:85; Martin 2008:105; Sears and Citrin 1985:191, 194-195). The LA County Assessor Alexander Pope announced a major re-assessment of property, with 100 percent or more increases in assessed values, sparking outrage from homeowners (Martin 2008:105; Sears and Citrin 1985). Doerr (2000:137, 147-148) notes that the previous assessor, Watson, essentially set up Pope for this backlash. In 1977, Watson had postponed reassessment of properties in LA County (probably illegally) before he was forced to resign from his position by a scandal. Pope was appointed to the position by LA County Board of Supervisors, and subsequently discovered that 30 percent of homes were facing assessment increases of 50-100

percent (Doerr 2000:147-148). After the announcement, the Board of Supervisors demanded that Pope postpone reassessment.

Governor Brown also sought to contain the damage by ordering Pope to roll back the assessments, and the County Assessor backpedaled (which was technically illegal) (Martin 2008:105; Sears and Citrin 1985). Governor Brown praised the LA Assessor and, on May 26, endorsed the idea of a statewide freeze on reassessments (Doerr 2000:147-148; Sears and Citrin 1985). However, the LA County reassessment had already done its damage to the Governor's cause. In the wake of the LA County reassessment, California voters – especially those in LA – shifted heavily in favor of Proposition 13 and against Proposition 8 (Martin 2008:105; Sears and Citrin 1985:191). Postponing the reassessments may even have backfired, as LA County voters then had reason to fear an imminent increase in their property tax bills, making them even more likely to back Proposition 13 (Doerr 2000:147-148). The margin of support for Proposition 13 increased to 14 percent by late May, with 58 percent in favor of the initiative (Sears and Citrin 1985). Meanwhile, support for Proposition 8 cratered, with 46 percent opposed versus 40 percent in favor by the end of May. One further piece of evidence that the LA County reassessment changed voters' perceptions of the problem is that polling in April showed that 59 percent thought Proposition 8 provided enough tax relief, but by the end of May 51 percent thought it did *not* provide enough relief (Martin 2008:105).

On June 6, 1978 voters in California went to the polls in droves (turnout was at 69 percent of registered voters) and approved Proposition 13 by 65 percent while rejecting Proposition 8 by 53 percent (Martin 2008:106; Smith 1999:174). Voters chose Proposition 13 over Proposition 8 for two principal reasons: Proposition 13 promised twice as much tax relief, and voters were increasingly angry at government officials in the wake of the LA reassessment

controversy (Martin 2008:104-5; Schrag 1998; Sears and Citrin 1985:25, 190-195). The victory of Proposition 13 over Proposition 8 was *not* due to the broad appeal of Jarvis' brand of conservatism. In their extensive analysis of public opinion data during the tax revolt, Sears and Citrin (1985:85-87, 198, 219) found that only a small fraction of Californians fully shared Howard Jarvis' anti-government, conservative ideology. Although a majority of Californians agreed that taxes were too high and that government was too big in the abstract, they opposed spending cuts in most specific areas (Sears and Citrin 1985:44-50, 198). Even much of the support for Proposition 13 came from individuals with moderate views on taxes and spending (Sears and Citrin 1985:219).

Sears and Citrin (1985) also found that individuals' views of Proposition 13 were related to their social positions. Support for Proposition 13 was concentrated amongst higher-income individuals, the middle-aged, whites, men, and individuals in the Los Angeles area (Sears and Citrin 1985:98, 100-104). On the other hand, opposition was concentrated amongst African Americans, public employees, and renters (Sears and Citrin 1985:98, 100, 103-104, 118-120). In a regression analysis of survey data, they found that income and age were the strongest determinants of individuals' opinion of Proposition 13 (Sears and Citrin 1985:103-4). Variables for region (Los Angeles metro area vs. outside of LA), race (white vs. non-white), and gender also had significant effects on support for Proposition 13. To their surprise, they found that symbolic racism also contributed to support for the tax revolt; individuals with anti-black attitudes and conservative values were significantly more likely to support anti-tax initiatives, even though the initiatives had no explicit relationship to race (Sears and Citrin 1985:164, 167-170, 214).

To conclude this lengthy (though not comprehensive) discussion of the causes of Proposition 13, I set out to address two questions. First, I sought to explain where the idea for a supermajority requirement for taxes came from, and why it was enshrined into the state constitution. The idea of the supermajority requirement for taxes originated with the anti-tax, conservative leaders of the Proposition 13 campaign, Howard Jarvis and Paul Gann. It did not emerge out of the grassroots efforts of homeowners to get relief from property taxes, but rather came from the top. Moreover, there is no evidence that mass voter support for Proposition 13 was in any way motivated by the supermajority requirement, rather than simply driven by the desire for property tax relief. Although Sears and Citrin (1985) suggest that the supermajority requirement for taxes helped to broaden the appeal of Proposition 13 (beyond the property tax issue), they do not provide any survey or interview data to support this. Instead, it appears that Jarvis and Gann came up with a way to restrict taxes in general, in line with their conservative ideology, and won the support of an electorate determined to get property tax relief and frustrated with a seemingly unresponsive government.

The second question that I addressed in this section is the extent to which the structure of political institutions and partisan conflict within the legislature contributed to the success of Proposition 13? Specifically, I showed how the combination of the supermajority requirement for spending (which quite oddly applied to tax relief), combined with the obstruction of a few Republicans, greatly impeded the legislature's response to the property tax revolt. In 1976-1977 tax relief was gridlocked in the legislature, coming short just 2 out of 40 votes in the state Senate, which fed homeowners' dissatisfaction with government. The legislature finally responded with a tax relief proposal in early 1978, but by this point Proposition 13 had already made it to the ballot. I have argued that the supermajority requirement for spending, by contributing to gridlock

in the legislature, increased the chances of Proposition 13's success. In an odd turn of events, one supermajority requirement helped to bring about a second supermajority requirement, further constraining the legislature.

The consequences of Proposition 13 are far too extensive to discuss here; I will just focus on the consequences of Proposition 13 for the prevalence of budget gridlock, which will be expounded in subsequent sections and chapters. First, the supermajority requirement for taxes provided another mechanism by which the Republican minority could obstruct Democratic budget plans. While this supermajority rule for taxes does not directly apply to budget bills (unlike the other supermajority rule), it would allow Republicans to prevent Democrats from raising revenues that could then be used to help balance budgets and forestall spending cuts. It became another means by which Republicans could exert downward pressure on taxes. Since the supermajority rule only applied to tax increases, not to tax cuts, it had a reverse ratchet effect on tax policy (Schrag 1998). In turn, Republicans took advantage of this structural feature to exert pressure in budget conflicts towards their preferred solutions (spending cuts rather than tax hikes).

Second, Proposition 13 influenced the level of gridlock in subsequent years through its effect on state finances. While the immediate effect of Proposition 13 was blunted by the state's budget surplus, over time Proposition 13 made revenues more volatile from year to year (Auerbach 2010). Since the state government became highly dependent on income tax revenues, which fluctuate to a much greater extent than property tax revenues, Proposition 13 helped worsen the fiscal instability of the 1980s, 1990s and 2000s, which became a recurring source of partisan conflict over the budget. Cummins' (2012:30, 32-33) study of budget gridlock supports the contention that revenue volatility contributed to budget delays; shifts in income tax revenues

in *either* a positive or negative direction (away from the average growth rate) had a significant effect on the length of budget delays.

Third, the property tax limits in the amendment meant that the legislature could not shift any of the tax burden back onto property-owners, including businesses. Proposition 13 formed part of the “fiscal straightjacket” of taxing and spending propositions that would increasingly bind the hands of the Democratic majority in the legislature in subsequent years. Fourth, and finally, Proposition 13 contributed to increasing budget gridlock through its influence on California’s political culture. In one way, Proposition 13 created a political consensus: that Proposition 13 was sacrosanct. For more than a generation California politicians have regarded the property tax limits as untouchable, akin to the “third rail” of Social Security in the federal government. Schrag (1998:153) notes that many Democrats also embraced the anti-tax rhetoric; Governor Brown even called himself “a born-again tax cutter” (also see Doerr 2000:155-156). In other ways, however, Proposition 13 contributed to growing partisan polarization over the next two decades, as Republicans increasingly adopted an anti-tax, anti-spending variant of conservatism while Democrats remained committed to preserving social welfare programs against retrenchment, and more open to tax increases. The anti-government rhetoric of Howard Jarvis, always an outsider to the political establishment, became adopted by mainstream Republicans in California and elsewhere, including President Ronald Reagan. Proposition 13 made taxes a partisan issue in California (Matthews and Paul 2010:47). The mobilization around Proposition 13 boosted the electoral fortunes of conservative Republican candidates for the state legislature (Doerr 2000:166; Matthews and Paul 2010:47; Schrag 1998:153, 204). In the 1978 elections, after the enactment of Proposition 13, about a dozen conservative, anti-tax Republicans gained office with the backing of Jarvis’ Political Action Committee. These

Republicans were referred to as the “Proposition 13 babies” or, more disparagingly, “the cavemen” (Doerr 2000:166; Matthews and Paul 2010:47; Schrag 1998:153, 204), and became “a new conservative GOP core in Sacramento” (Schrag 1998:153). In the ensuing years in California, state budgets naturally became the central battleground between conservative Republicans and liberal Democrats.

1979-1982: Budget Gridlock in the Wake of Proposition 13

In 1979 the legislature passed income tax cuts and a renters tax credit, but also wanted to boost state spending and needed to develop a long-term plan for funding local government in the wake of Proposition 13 (Doerr 2000:166-167). This made developing the 1979-1980 budget a difficult task (Doerr 2000:166-167), and the budget was delayed 12 days into the start of the fiscal year (Wilson 2011). The 1980-1981 budget was delayed for fifteen days; according to Doerr (2000:175). Senate Republican leader Bill Campbell wanted more cuts to spending, and Senate Republicans refused to vote for the plan, opposing in particular a 15.5 percent increase to welfare payments. The budget was enacted after a compromise that cut the increase down to 13 percent. In contrast, Quinn (2009) says that Republicans relented so that they could attend the RNC convention in August.

In 1981 and 1982 the state government faced budget deficits for the upcoming fiscal years, but nonetheless managed to enact the budgets on time (Doerr 2000:178,180, 183). In 1981 the legislature and the Governor agreed to balance the budget by restraining spending growth and shifting several revenue sources from local to state level (Doerr 2000:178-179). The deficit in 1982 was quite large for the time, a \$2.1 billion shortfall (Doerr 2000:180). Lawmakers responded by (again) restraining growth of spending and shifting revenue sources to the state

level, as well as accelerating revenue collections and tapping reserve funds (“tax gimmicks”, according to Doerr 2000:183).

1983-1990 Deukmejian and Gridlock under ‘Divided Government’

Under Governor Deukmejian, budget gridlock was somewhat worse than during Governor Brown’s first two terms in office (Table 1). 5 out of 8 of Deukmejian’s budgets were late, compared to 4 out of 8 of the budgets under Brown. More notably, the average length of budget delays under Deukmejian was 14 days, compared to 8.25 under Brown, and the longest delay was 30 days, compared to 15 under Brown. The three major factors conducive to budget conflicts and gridlock continued to be present during this period – the supermajority rule for budgets, the fact that neither party had the ability to enact budgets without members of the other party, and partisan polarization. The increase in gridlock during this period appears to be related to changes in the latter two conditions. First, the government became even more divided with the shift of control of the Governorship to Republicans, while Democrats retained majorities in the legislature. Second, partisan polarization of political officials continued to increase, which was potentially reinforced by polarization in the broader electorate. I address these two factors in the following paragraphs, then discuss the budget processes that occurred during Governor Deukmejian’s two terms.

The election of Deukmejian marked the return of “divided government” in the conventional sense of the term – a governor from a different party than the majority in at least one house of the legislature. As I’ve argued before, the focus on divided government in this limited sense is misplaced. At no time during the period of rising gridlock (1969-1998) was there truly “unified government”, since the legislative minority in at least one house always had

enough seats to block budget bills. No party truly controlled the entire budget-making process. Thus, the shift in control of the governorship that occurred with the election of Deukmejian is better characterized as an *increasing* division of partisan control. Now the Democratic majority in the legislature would need to compromise not just with the Republican minority, but also with a Republican Governor. (Through both of Deukmejian's terms in office, Democrats held a majority of seats in both the Assembly and Senate, but never supermajorities).

The election of a Republican Governor and a Democratic majority in the legislature, which persisted through most of the 1990s, should not be mistaken as a sign of the moderation of the California electorate. Instead, this result was facilitated by differential turnout amongst the demographic groups that tended to vote for Democrats and Republicans, respectively, combined with the structure of elections in California (Douzet and Miller 2008; Schrag 1998). Republicans tended to be more successful in statewide elections for governor (and conservative initiatives), which are determined simply by which candidate has the most votes, because Republican-leaning demographics (whites, the elderly, the wealthy, etc.) were more likely to vote. At the same time, Democrats were able to maintain majorities in the legislature because they tended to represent heavily-Democratic leaning districts in which Democratic candidate could win office *even if* voting rates were low. The apportionment of legislative districts by population allowed Democrats to maintain hold of the legislative majority despite lower turnout in the urban, working-class and minority-heavy districts that they represented. Thus, in gubernatorial elections, Republicans had the advantage because of higher turnout amongst their base, while in legislative elections, Democrats had the advantage because of population-based districting. These electoral conditions persisted through the 1990s.

Furthermore, this configuration of divided partisan control coincided with increasingly polarized politics in the 1980s (Jacobson 2004; Masket 2009). There are several different indicators that partisanship and ideology became more tightly linked amongst both elected officials and the electorate during Deukmejian's governorship (Jacobson 2004; Masket 2009). As discussed earlier, Masket's (2009:90-93, 106) analysis of Assembly roll call data indicated that, from 1959 on, party membership became increasingly associated with the voting behavior of legislators. According to Masket (2009:106), "by the mid-1980s, party...became a better predictor of legislative behavior than district." While legislative voting behavior should not be misinterpreted as a direct measure of legislators' ideologies (Smith 2007), Masket's (2009) data does serve as an indirect indicator that Democratic and Republican lawmakers increasingly disagreed on policy issues, or at least came under increasing pressure from co-partisans to vote the party line.

For the broader California electorate, Jacobson (2004) showed how voters became more partisan in their affiliations in the 1970s-1980s and, at the same time, how partisanship became increasingly associated with ideology. Using American National Election Survey data, Jacobson (2004:118- 119) found that the percentage of voters who identified as strongly Democrat or strongly Republican increased from 33.6 percent in 1972-1980 to 43.1 percent in 1982-1990. For both periods, only a tiny minority of voters were truly independent (not leaning towards one party or the other) or supporters of a third party – 5.7 percent in 1972-1980 and 3.4 percent in 1982-1990. During the 1982-1990 period, Jacobson (2004) also found that party loyalty – the association between party identification and actual voting – was high, and ticket-splitting – voting for members of different parties – was low for candidates for national offices and the governorship.

Similarly, Lascher and Korey (2011) challenged the conventional wisdom that California voters are highly independent by examining Field Poll data from 1980-2008. While the percentage of Californians identifying independents was substantial (above 25 percent), most of these self-identified independents lean towards one party or the other. At any time between 1980 and 2008, only one third or less have been “pure independents” (Lascher and Korey 2011:8), or less than 10 percent of California’s voters. Thus, while many Californians did not call themselves Democrats or Republicans, the vast majority were more supportive of one party over the other.

While becoming more partisan, Californians also grew more ideologically polarized, and the link between partisanship and ideology tightened (Jacobson 2004:129-130). In the NES surveys, California voters have increasingly placed themselves at more extreme points on a liberal-conservative scale, and fewer placed themselves in the middle. Furthermore, the correlation between this ideological scale and party identification increased as well. In other words, self-identified conservatives more frequently identified as Republicans, while self-identified liberals more frequently identified as Democrats.

Jacobson (2004) argued that this partisan polarization amongst California’s electorate was a top-down process; political elites diverged on ideological lines, mainly due to the increasing conservatism of Republican legislators. Then, in response, voters sorted themselves based on the clear ideological distinction between the parties. Conservative Democrats became Republicans, and liberal Republicans became Democrats. Polarization amongst the electorate then had a feedback effect on polarization at the elite level; candidates for office were increasingly under pressure from voters to adhere to the party line, so it reinforced the pre-existing shift towards partisanship amongst elected officials.

In contrast, Masket (2009) argued that partisan polarization in California was not top-down, but rather came from local party organizations. Masket (2009:8, 14) argued that, following the end of cross-filing, there was a “resurgence of party organization at the local level”, which gained control over the nomination process and threatened legislators that deviated from the party line. Thus, the pressure on legislators to vote with their party came largely from outside the government and the formal party leadership. At the same time, partisan polarization was not strictly speaking a bottom-up process; polarization amongst voters, while important, was not sufficient in of itself to pressure legislators to adhere to the party line (Masket 2009:190-191). Local party organizations exerted party discipline even in districts where voters were more heterogeneous. Masket (2009:93-94) supports this claim by showing that district-level voting has diverged from the voting behavior of legislators. In 1969, the percentage of voters choosing the Republican candidate for president was clearly associated with the voting behavior of Assembly members elected from those districts; districts that were close to evenly split on the presidential vote were represented by moderate legislators. In contrast, in 1983, the percentage of voters choosing the Republican candidate had little relationship with the voting behavior of legislators; districts that were close to evenly split on the presidential vote were represented by either liberal Democrats or conservative Republicans, as opposed to moderates. Highly polarized voting districts do provide informal party organizations with more leverage, but it is the actions of the latter that are the key cause of increasing legislative partisanship (Masket 2009:190-191). While determining the causal ordering of the process of polarization is not possible given the available data, it does seem clear that California legislators in the 1980s were facing an increasingly polarized electorate and were increasingly voting on party lines.

The increasing polarization amongst the electorate, in terms of the partisanship-ideology association, coincided with a demographic-geographic realignment in California's politics. Douzet and Miller (2008) examined county-level demographic and political data to show how the geographic bases of the parties shifted between 1980 and 1990. According to Douzet and Miller (2008:33-35), in 1980, Republicans contested seats across the state, including in many coastal districts, and a considerable part of the Republican caucus was elected from coastal districts. During the 1980s, though, many whites migrated away from coastal counties to inland counties, and Democrats started to dominate elections in many coastal counties (Douzet and Miller 2008:17). At the same time, the percentage of Democratic voters declined in the northeastern counties of the state, relative to the rest of the state (Douzet and Miller 2008:30). State politics was moving away from the old, north-south pattern (the north more Democratic, the south more Republican) towards a west-east divide (the west more Democratic, the east more Republican).

1983-1986 Budget Conflicts during Deukmejian's First Term

According to Schrag (1998:205), partisan conflicts over budgets became a routine occurrence during Deukmejian's governorship. The Democratic majorities in the legislature clashed with "a militantly conservative Republican minority that was far to the right of the Republican governor" and that had enough votes to block budget bills (Schrag 1998:205). Ironically, though, the two-thirds requirement also allowed urban liberals to block cuts to welfare. This meant that spending cuts fell more heavily on schools and other services, which in turn increased the perception by conservatives that the legislature did not represent their interests

According to Doerr (2000 184, 187), the 1983 budget battle began with the news that revenues were lower than expected by the prior budget, and the legislative analyst told the legislature that the state not only faced a \$1 billion deficit for the upcoming year, but also had a cash shortage. Brown, as outgoing governor, called a special session in December 1982, during which Democrats sought to raise the income tax but were blocked by Senate Republicans (under the 2/3rds rule) (Doerr 2000:187-188). Upon becoming governor, Deukmejian argued for expenditure freezes and cuts, revenue transfers, and to carry over half of the estimated \$1.5 deficit into the upcoming fiscal year, to be paid for with further cutbacks. Democrats were opposed to the large spending cuts, and the Democratic chairs of the budget committees contended it was illegal to carry over a deficit (Doerr 2000:188-189). The looming possibility that the government would have to issue registered warrants (IOUs) and pressure from Deukmejian, who gave a televised speech about the warrants, led to a bipartisan deal in mid-February that included a carry-forward of part of the deficit, and short-term borrowing to forestall the issuing of warrants (Doerr 2000:189-190).

In June 1983, the budget conference committee met to reconcile the Assembly and Senate versions of the 1983-84 budget (Doerr 2000:192). Democrats and Republicans were divided on key issues, including protections for social programs against line-item vetoes and funding for a special election on reapportionment (which Democrats opposed) (Doerr 2000:192; Quinn 2009). Assembly Democrats refused to pass a budget without concessions on these two issues, and Republicans held out. The budget delay lasted 18 days, during which the Governor and legislative leaders met to negotiate. Several events helped lead to a compromise, including the Governor throwing his support behind increased school funding, as well as agreeing to raise taxes (Doerr 2000:192-193).

After the 1983 budget battle, both sides were not in the mood for another fight over the budget (Doerr 2000:195). Additionally, the state was now taking in increasing revenues, as opposed to facing a deficit. The 1983-1984 budget was passed before July 1 and boosted state spending by 16 percent (Doerr 2000:195). The 1985 and 1986 budgets were also enacted on time and were "relatively noncontroversial" (Doerr 2000:200), and raised state spending by 25 percent over the two years.

1987-1990 Budget Conflicts During Deukmejian's Second Term

Fiscal conditions became more problematic during Deukmejian's second term as governor (1987-1990) due to a combination of the state hitting the Gann limit and revenue volatility (Doerr 2000:207). In the 1987-1988 budget, the governor's proposal increased spending by less than 3 percent, a small increase that would keep spending under the Gann limit (Doerr 2000:207-209). Even though the state had a surplus of \$1 billion, the Gann limit prevented it from being spent for most purposes. The Governor wanted to spend part of the surplus on schools and return the rest to taxpayers through rebates. Democrats wanted to spend the entire surplus, mostly on education. The disagreement over education spending could not be resolved, and so none of the surplus was spend on education. The 1987-1988 budget was passed by the legislature on July 1st (Doerr 2000:208), then signed by the Governor 6 days into the fiscal year (Wilson 2011). At that point, Deukmejian said that all of the surplus must be used on tax rebates (Doerr 2000:208). The legislature hastily crafted a rebate plan before the end of the session (Doerr 2000:208-209).

In the 1988-1989 budget process, the state government could have used the extra revenue that had just been sent back to taxpayers. In May 1988, revenues were shown to be \$1 billion

below estimates, which came as a surprise because the economy was growing (Doerr 2000:214). Deukmejian responded with a revenue plan to raise \$800 million for the state. Oddly, some Democrats attacked Deukmejian for wanting to raise taxes (Doerr 2000:215). One week later Deukmejian withdrew the proposal and promised not to raise taxes. Other Democrats then advanced their own revenue-raising plans, one of which was very similar to the governor's plan, but Deukmejian said he would veto them. As a result, the legislature relied on budget cuts to make up for the lower-than-estimated revenues. They passed the budget bill on June 30th and Deukmejian signed it into law on July 8th, making it 7 days late.

The next year, Deukmejian proposed a budget with low spending, which he acknowledged was inadequate for the state's needs (Doerr 2000 226). Deukmejian blamed, and decried, the constitutional restrictions on the budget process that were holding back spending. Some Democrats argued for a tax increase, but windfall revenues that came in May made it possible to boost spending without a tax increase to pay for it. Taking advantage of the windfall revenues, the legislature had little problem passing the 1989-1990 budget. It was passed by the legislature on June 29th, and then signed by Deukmejian on July 7th, so it was six days late (Wilson 2011).

The following budget process, in 1990, was the most gridlocked of Deukmejian's governorship (Wilson 2011). Deukmejian's budget proposal in January had moderate spending increases and no new taxes, but the legislative analyst and Democratic Assembly Speaker Willie Brown called for more spending (Doerr 2000:235). In May, the state government was surprised by lower revenues than expected, \$2 billion below the estimates. Legislative Democrats proposed to make up for the lost revenue with a \$2.3 billion tax increase, whereas Deukmejian proposed \$3.6 billion in spending cuts. Deukmejian's position was backed by most Republican

lawmakers (Bee Capitol Bureau 1990-07-29). A compromise plan passed the Senate on July 10th, but was blocked by the Assembly Republican minority for several weeks (Bee Capitol Bureau 1990-07-29; Gray 1990-07-15). Late in July, the Governor agreed to \$600 million in revenue increases, while Democrats conceded to larger spending cuts (Doerr 2000:236; Gray 1990-07-29), but the Governor still had to exert significant effort to get enough Assembly Republicans to vote for the budget package (Gray 1990-07-29). As a result, there was a month-long delay in enacting the 1990-1991 budget (Bee Capitol Bureau 1990-07-29; Doerr 2000:236; Gray 1990-08-01).

1991-1998 Wilson, Fiscal Crisis and Intensifying Gridlock

Under Republican Governor Pete Wilson, 88 percent of the state's budgets were late, the average delay was 33 days, and the longest delay was 63 days (see Table 1). Compared to the figures for Deukmejian's governorship, there was a considerable increase in the frequency of gridlock and, when it occurred, its severity. Mathews and Paul (2010:47-48) say the typical pattern of conflict over the budget process during this period was for the Republican minority to make a list of demands, such as cutting taxes and boosting spending on their own constituents (and sometimes cutting Democrat-supported programs), then refusing to vote for the budget bill without concessions. "This form of hostage-taking became the norm", according to Matthews and Paul (2010:47). Furthermore, according to GOP Senate leader Ken Maddy (who was in charge during the early 1990s), some members of his caucus only cared about blocking budget bills, rather than passing them (Mathews and Paul 2010:49).

The supermajority rules for budgets and taxes, the persistence of divided government, and partisan polarization between Democrats and Republicans facilitated the continued rise of

budget gridlock in the 1990s. During this period, Democrats had a majority of seats in the Senate (but never two-thirds or more) (Wilson 2011). Republicans briefly gained a majority of seats in the Assembly for the 1995-1996 legislative session, but otherwise Democrats held a majority of seats in the Assembly. Thus, during this period no single party controlled all of the veto points in the budget-making process. Additionally, in the legislature, the shift towards party-line voting continued (Masket 2009).

Increasing partisan polarization among lawmakers was probably reinforced by partisan realignments amongst the broader electorate. The high levels of partisanship, party loyalty in voting, and association between party and ideology that were present in the 1980s electorate continued through the 1990s (Jacobson 2004). What was new in this period was the role of racially charged immigration politics. According to Bowler, Nicholson and Segura (2005:146), “racially charged ballot propositions sponsored by the Republican Party” pushed Latino voters towards the Democratic Party. They describe this as a “state-level realignment” (Bowler, Nicholson and Segura (2005:157). Using Field Poll data from 1980-2002, they looked at the potential effects of three propositions passed by voters in the mid-1990s – Propositions 187, 209 and 227. Their analysis showed that, in the wake of these propositions, the previous trend of Latinos increasingly identifying as Republican was reversed, and Latino support for Democrats went from 38 percent before the propositions to 63 percent after the propositions. At the same time, there was not a compensating shift of white voters into the Republican Party, and younger whites actually shifted towards the Democrats following the propositions. Another noteworthy finding is that, following Proposition 187, the effect of ideology on party support (already significant) increased further, “suggesting increased ideological polarization in the structure of partisanship” (Bowler, Nicholson and Segura 2005:152).

Korey and Lascher (2006) also analyzed Field Poll data to study trends in partisan identification in CA, and confirm some of Bowler, Nicholson and Segura's (2005) findings. Since 1991, the Field Poll data showed that there has been increasing Democratic identification within ethnic and racial subgroups; the shift to support for Democrats was especially strong amongst Latinos and Asian Americans (Korey and Lascher 2006). They also found that the post-1994 increase in Latino support for Democrats was more pronounced amongst Spanish-speaking respondents to the Field Poll than amongst English-speaking respondents. However, they do not find evidence that the realignment was driven by self-described ideology (liberal, moderate, or conservative); they find increasing Latino identification with Democrats from 1991 onward regardless of ideology, and that for Latinos ideology is poor predictor of party. Thus, the increasing alignment between social cleavages and partisan divisions may not have been linked directly with the increasing association between partisanship and ideology; or, alternatively, self-described ideology does not capture the ideological disagreements over immigration policy that drove Latinos away from Republican Party and towards the Democratic Party.

1991-1994 Wilson's First Term and the Fiscal Crisis

According to Quinn (2009), partisan conflict over the budget became a serious issue during Wilson's first term; the context for this was that the growth of expenses was exceeding the growth of revenues, leading to structural deficits. 1991-1994 was the worst economic downturn in California since the Great Depression (Doerr 2000:239). Late in 1990, revenues were already lower than expected, with an estimated \$2 billion shortfall (Doerr 2000:236). In his budget proposal, the new Governor called for \$7 billion in new taxes, the largest increase in the state's history, as well as \$3.8 billion in spending cuts, and the suspension of Proposition 98's

school spending requirement (Doerr 2000:239-240). The tax increases were opposed by conservative Assembly member Tom McClintock and the business community, and they barely made it through committee. On March 29th, the Governor announced a fiscal “emergency” because of an estimated \$13 billion deficit (Doerr 2000:241). In response, Democrats called for more tax increases, including the income tax, while also opposing the suspension of Proposition 98.

The budget conference committee met in April and May and crafted a budget with tax increases, including some of Wilson’s ideas, and lots of fee increases that were counted as spending reductions (Doerr 2000:241-242). The conference committee bill was opposed by Wilson and legislative Republicans. The Governor and legislative Democrats reached a tentative agreement on June 15th, but it collapsed over Democrats’ objection to cuts in retirement benefits for state workers. On the 30th, with Wilson pressuring Republicans, the legislature passed a tax package that included a sales tax increase and a hike to the vehicle license fee. However, the main budget bill was stalled (Doerr 2000:242-243). The business community pushed for the legislature to institute an income tax increase, which they perceived as less threatening to their interests than proposals for a utility tax and contractor withholding. With the backing of the business community, the legislature passed a temporary income-tax hike on high earners, along with the main budget bill, and Wilson signed the budget on July 16th.

After the passage of the large tax increase, the plan came under criticism from economists and, oddly, Democrats who had voted for the plan and some of whom had even proposed a bigger tax increase (Doerr 2000:244). Wilson’s administration shifted gears at this point, rejecting further tax increases (Wiegand 2008-07-29). According to Schrag, the Department of Finance issued a despairing report that warned that state spending was set to rise

much more steeply than state revenues; the “taxeaters” were taking more services than the taxpayers could afford (Schrag 1998:123). According to Schrag (1998), the figures were wildly exaggerated, ignoring the short-term effects of the recession on revenues and double-counting the so-called tax-eaters. The state was not actually on a path towards an ever greater tax burden and uncontrollable spending. What instead drove the backlash to spending, according to Schrag (1998), were 1) the racial composition of the “taxeaters”, and 2) the growing disjunction between the electorate and the state as a whole; the electorate was whiter, older and more affluent than the population of parents with school-age kids as well as the recipients of state aid.

The stage was now set for the most intense budget conflict in state history, up to that point. In January, the deficit was projected to be \$6 billion (Endicott 1992-01-09), and Wilson proposed to close the gap with deep spending cuts (Endicott 1992-01-09; Gray 1992-01-10). Wilson also sought to restrict future growth in state spending and shift spending burdens from the state to local governments (Doerr 2000, 253). **Assembly** Speaker Willie Brown sought to get the main budget bill passed early, by mid-April, to leave ample time to work out disagreements on the specifics (DeBare 1992-01-22). On April 2nd, 1993 California’s Assembly considered its version of the budget bill, AB 2303 (Rosenberg 1993). However, the bill only received 45 votes, more than a majority but less than the 2/3rds required for its ultimate passage. Democrats had wanted to give Wilson the ability to make deep cuts to higher education and other areas if necessary, but Assembly Republicans objected that it did not give Wilson enough authority to make wide-ranging cuts (Gray 1992-04-03).

In his January budget, Wilson had counted on the economy improving, but by May it became clear that the recession was lasting longer than expected and that a recovery was not imminent (Doerr 2000:247, 253). The administration now estimated that the deficit would be a

massive \$10.7 billion for the next fiscal year (Gray 1992-05-21), and Wilson asked for \$4 billion more in cuts (Doerr 2000:253). The chairman of the Assembly Budget Committee, John Vasconcellos, declared that the state was bankrupt and said he didn't know how to solve the problem (Doerr 2000:247; Gray 1992-05-21), as both tax hikes and spending cuts would hurt the prospects for an economic recovery (Doerr 2000:247). Nonetheless, Democrats presented an alternative plan involving business and income tax increases, and rolling over part of the deficit (Doerr 2000:253-254).

Weeks of meetings between Democratic lawmakers and the Governor yielded no progress (Doerr 2000:253-4). The state missed the July 1st deadline, and – having run out of cash reserves – the State Controller, Gray Davis, was forced to issue IOUs, the first time the state had needed to do so since the Great Depression (Doerr 2000:254; Matthews and Paul 2010). Wall Street responded to the IOUs by lowering the state's credit rating. Assemblyman Phil Isenberg accused Wilson of catering to Republican Assembly "troglodytes" (quoted in Doerr 2000:254), and the California Teachers' Association launched a media campaign attacking the Governor over the education spending cuts he was seeking. On the other hand, Wilson and legislative Republicans were opposed to Democrat's proposal to carry over some of the deficit into the next fiscal year (Gray 1992-06-26; Wiegand 2008-07-29). In August, Democrats sought to pass the budget bill, SB 1280, but it was blocked in both houses because it didn't receive 2/3rds of votes (DeBare 1992-08-11; Rosenberg 1993). A compromise finally passed the legislature in September (the Governor agreed to limit cuts to school spending in the subsequent year) and was signed by the Governor after a record-long 64-day delay (Doerr 2000:254-255; Rosenberg 1993). The budget included large cuts to education, healthcare, welfare programs, and local government funding (Wiegand 2008-07-29).

In 1993, in stark contrast to the previous calendar year, the state government managed to enact the 1993-1994 budget by the start of the fiscal year (Wilson 2011). This was not due to a sharp improvement in economic conditions; in late 1992, Legislative Analyst Elizabeth Hill predicted a deficit in the \$7.5- 9 billion range for the upcoming fiscal year (Doerr 2000 256). In his January budget proposal, Wilson proposed an 11 percent cut to spending and no tax increases. Democrats, in contrast, wanted to maintain a temporary sales tax increase that was instituted in 1991 to help balance the budget. Nonetheless, Assembly Speaker Brown committed to passing the budget on time and succeeded in this goal. The governor and the top legislative leaders from both parties – ‘the Big 5’ - worked out a compromise in June; this informal procedure was unusual for the time but subsequently became a routine practice. The budget plan included an extension of the temporary sales tax increase, with a vote set for November on a permanent extension (Doerr 2000:257). It also included spending cuts, cash deferrals, and a rollover of some of the deficit. Speaker Brown locked the Assembly in overnight on June 20 to push through the deal before the start of the fiscal year, and the next evening the Senate President used the same technique (Doerr 2000:257). The 1993-94 budget was the first since 1961 to actually lower overall spending from the previous year (Doerr 2000:258).

In 1994, Wilson proposed a "relatively austere budget" which also assumed the state would receive \$3 billion from the federal government to cover spending on illegal immigrants (Doerr 2000:273). Controller Davis denounced the Governor’s plan and Legislative Analyst Hill warned that it would leave the state with a \$5 billion budget gap. As it was an election year, and the legislature faced hard choices, the conference committee pushed out a budget plan that did not balance revenues and expenses. Governor Wilson postponed the release of his revised budget (typically issued in May) until mid-June, again eschewing tax increases. Speaker Brown also

conceded that tax increases were not feasible at the time (Doerr 2000:273-4). Once the state missed the deadline, pressure came from Wall Street for guarantees that short term loans would still be paid (Doerr 2000:274). Democrats and Republicans fought over the inclusion of ‘triggers’ to ensure debts could be paid. Republicans wanted automatic spending cuts to be triggered if funds were needed, while Democrats instead wanted a trigger for an extension of higher income tax rates. Budget negotiations occurred between the ‘Big 5’, reaching a deal that some Democrats rejected. The 1994-1995 budget was heavy on borrowing and rolled over \$1 billion of deficit, and included the trigger that Republicans preferred, across the board spending cuts if needed to pay off loans in the upcoming year. In the end, despite the assurance that debts would be paid, Wall Street still downgraded California’s credit rating (Doerr 2000:274).

1995-1998 Wilson’s Second Term and Conflict over Tax Cuts

Whereas Wilson’s first term was a period of fiscal crisis, during his second term there was an influx of revenues (Doerr 2000:283). Conflicts over the budget were now over how to use the extra money – Republicans and taxpayer organizations wanted to send out tax rebates, whereas Democrats favored increasing spending. Wilson sought to make up for the big tax hike in his first term (Doerr 2000:283-285). A report from his Council of Economic Advisors justified tax reductions by blaming high taxes for the poor economic conditions. The GOP’s short-lived takeover of California’s Assembly in the 1994 elections provided Wilson with a boost in his effort to distribute tax rebates (Doerr 2000:284-5). Overall, Wilson’s second term was a period of significant tax reductions, but also a big increase in state spending (Doerr 2000:284).

According to Willcoxon and Willcoxon (2011:4), “starting in the late 1990s, the dwindling number of Republicans in the legislature” began to take advantage of the 2/3rds

requirement for tax increases to routinely block Democrats' tax proposals". The reason for this shift was the rise of strongly ideological, well-organized anti-tax interest groups that pressured Republicans to conform to the party line (Willcoxon and Willcoxon 2011:4-5). These groups, particularly Americans for Tax Reform and the Howard Jarvis Taxpayers Association, used the threat of primary challenges or the loss of donations to put pressure on Republicans to vote no on all tax increases.

Based on the report from his Council of Economic Advisors, Wilson's 1995-96 budget proposal called for 15 percent cuts to both income and corporate taxes, to be phased in over 3 years (Doerr 2000:285). This tax cut was critiqued by Assembly member John Burton, the California -Tax Reform Association and the Legislative Analyst. In addition to this policy disagreement, the budget process was complicated by conflict within the Assembly. Despite the slim Republican majority in the Assembly (41 out of 80 seats), Democratic leader Brown was able to meddle with the process of selecting the Speaker, and retained the speakership on a 40-39 vote (Doerr 2000:285-6). The GOP assembly member who voted for Brown to be speaker, Paul Horcher was challenged by Orange County conservatives, recalled from office and replaced by a loyal Republican (Doerr 2000:285-286; Masket 2009:152). However, two previously Republican-held seats were now vacant, so they didn't have enough votes to replace Brown with a Republican speaker (Doerr 2000:286). The Democrats then engaged in a second maneuver; they made an agreement with Assembly Republican Allen to vote for her as speaker, preventing Republicans from making the choice (Doerr 2000:286; Masket 2009:152). All Republicans voted against Speaker Allen (except Allen herself), and a recall effort was launched against her. To bolster her support she embraced the Governor's tax cut plan and bypassed the Assembly's budget committee, which had previously blocked the Governor's tax cut plan from reaching the

floor (Doerr 2000:286). Nonetheless, Orange County conservatives waged a successful recall campaign against Speaker Allen, booting her out of office later in the year (Doerr 2000:286). This series of events indicates not only the instability in the Assembly, but also the (successful) efforts by Republicans to punish co-partisans who had collaborated with Democrats (Masket 2009:152).

With the Assembly in disarray, and the partisan disagreement over the tax cut proposal, the legislature failed to pass the budget by the start of the fiscal year (Doerr 2000:286). The Governor “continued to take a hardline position”, and threatened to allow the high income tax brackets (supported by Democrats) to expire if they didn’t accept his plan (Doerr 2000:287). On July 10, the Assembly voted for the governor’s tax cut on a 41-36 vote on July 10, but it was then killed in the Senate Revenue and Tax Committee (Doerr 2000:287). A budget was finally enacted on August 2nd, after Democrats got \$1 billion extra in school funding and Republicans got cuts to welfare. The high income tax brackets that were instituted at the start of Wilson’s governorship expired at the end of 1995, which constricted income tax revenues in subsequent years. In the end, Democrats’ refusal to compromise reduced the top income tax rate more than if they had accepted the Governor’s plan (Doerr 2000:287-88).

At the beginning of the 1996-1997 budget process, Wilson again pushed for a 15 percent cut to the corporate and personal income taxes, which was again criticized by Democrats (Doerr 2000:299). Repeating the events of the previous year, the governor’s tax cut proposal passed on a straight party-line vote in Assembly, but then was blocked in the Senate Revenue and Taxation Committee. Again, the legislature failed to pass a budget on time over disagreement on tax cuts. “Big Five” negotiations led to a plan with a smaller 5 percent tax cut for corporations (Doerr 2000:299), and the budget was enacted 14 days after the start of the fiscal year.

The 1997-1998 budget was (at the time) one of the five latest budgets in state history (Wiegand 2008-07-29), not enacted until August 18th, 48 days past the start of the fiscal year (Wilson 2011). Wilson sought further cuts to business, personal income, and other taxes (Doerr 2000:306). Democrats disagreed with Wilson over the tax cuts, his plan for welfare reform (Doerr 2000:307; Wiegand 2008-07-29), and other “peripheral issues” (Wiegand 2008-07-29). On August 11, the legislature passed a budget that the Governor disliked (because it did not include the tax cuts he wanted) but nonetheless agreed to sign. Towards the end of the 1997 session, Democrats cut a “backroom deal” with the Governor to approve a package of tax reduction bills (Doerr 2000:307).

The budget delay in 1998 was about as long as the 1997 delay, lasting 51 days (Wilson 2011), making one of the five latest state budgets at the time (Wiegand 2008). The main cause of the delay was partisan conflict over how to use an influx of revenues. At first, Wilson’s budget did not call for tax reductions, unlike the 3 prior budgets (Doerr 2000:310). When revenues were seen to be increasing, Republican Assembly Member Tom McClintock introduced a “car tax” repeal bill, with a backfill for local revenue losses caused by the repeal (Doerr 2000:310-311). Then, in May, when revenues were projected to be \$4.4 billion above the initial estimate, the Governor called for a rebate to taxpayers and a phased-in cut to the car tax (Doerr 2000:311). Most Democrats in the legislature opposed the latter idea, as did public employee unions and local government lobbyists. Lieutenant Governor Davis, however, said he was amenable to a 25 percent cut to the car tax.

The legislature was unable to reach an agreement on how to use the windfall by the July 1st deadline (Doerr 2000:311). As a counterproposal to the car tax cut, Democrats suggested a reduction to sales tax. This sales tax cut passed in the legislature but was vetoed by Wilson.

Democrats then proposed a personal income tax credit, but this was vocally opposed by public employee unions. In August, the budget was finally enacted, with Democrats compromising by voting for a 25 percent cut to the car tax and other tax credits, in exchange for a 14 percent boost to state spending. In the end, according to Wiegand (2008), the Governor “got his way, signing a budget that contained \$1.4 billion in tax relief and vetoing \$1.5 billion in mostly Democratic-added spending.”

Conclusion

In this chapter I have traced the rise of budget gridlock in California from 1969 to 1998, a 30-year period (Table 1). I argued that the main explanation for this trend was the conjuncture of three political conditions. First, institutional reforms in the 1930s and 1960s created the supermajority rule for budgets (Doerr 2000; Matthews and Paul 2010; Meeker 1996; Silva 2008; Stockwell 1939:186; Thorson et al. 2010), which empowered the legislative minority to block the passage of budget bills. Second, there was a persistent pattern of divided partisan control of government positions (Wilson 2011), which was particularly consequential in the 1980s and 1990s (Schrag 1998; Doerr 2000). Third, elected Democrats and Republicans were increasingly polarized and in conflict with one another (Schrag 1998; Masket et al. 2009:20, 66-67, 90-91, 106; Matthews and Paul 2010; Thorson et al. 2010:19, 25-26). I elaborate on these factors in the following paragraphs, and how they combined with one another to produce the pattern of increasing budget gridlock. Then I discuss the fit of my findings with my general theory of political decision-making.

First, I began this chapter by discussing the origin of the supermajority rule for budgets, the key veto point that facilitated the rise of budget gridlock. The supermajority requirement

originated in the initiative process of the 1930s, but only became a full-fledged supermajority requirement in a 1962 initiative (Matthews and Paul 2010; Meeker 1996; Silva 2008; Thorson et al. 2010). The available evidence indicated that the establishment of the supermajority rule occurred without much consideration of its potential consequences, and was approved by voters who were likely unaware that they were doing so (Meeker 1996; Thorson et al. 2010). In this way, the effects of the supermajority rule for budgets – as a veto point that would be used routinely to obstruct budgets (Bee Capitol Bureau 1990-07-29; DeBare 1992-08-11; Doerr 2000:97-98, 175, 192, 274; Gray 1990-07-15, 1990-07-29, 1992-04-03; Matthews and Paul 2010:47-48; Quinn 2009; Rosenberg 1993; Schrag 1998:143, 205) – were largely unintended. However, my narrative analysis shows that the supermajority rule was an insufficient cause of the rise of budget gridlock. Budget delays did not begin immediately after its establishment in 1962, but instead gradually appeared over the next couple of decades (Silva 2008; Thorson et al. 2010; Wilson 2011).

In addition to the supermajority rule for budgets, this chapter also discussed the origins of the supermajority rule for tax increases (Matthews and Paul 2010). The narrative analysis showed that this rule, as part of Proposition 13, was proposed by Paul Gann and embraced by Howard Jarvis, the two leaders of the Proposition 13 campaign (Adams 1984:164; Doerr 2000:139-141; Fox 2003 54; Jarvis 1979:120-121). There is a dearth of evidence suggesting that the supermajority rule for taxes had mass appeal; the voters who approved Proposition 13 appear to have been primarily motivated by the promise of a large cut to their property tax bills, not some larger agenda to shrink government (Lo 1990; Martin 2008, p. 105; Sears and Citrin 1985, 46-47, 56-57, 86-87, 219). The narrative analysis also indicated that the supermajority rule for budgets played a surprising role in the sequence of events leading to Proposition 13's passage

(Doerr 2000, 132-133, 137; Levy 1979 p. 82-3; Lo 1990, p. 19; Martin 2008, 102-103; Mathews and Paul 2010, p. 41-42; Schrag 1998; Stark and Zasloff 2003, 801). The supermajority rule for budgets allowed legislative minorities to prevent the passage of a number of bills to provide tax relief in the mid-1960s, and therefore contributed to popular support for an initiative to remedy the problem. However, the available evidence did not show that the supermajority rule for taxes played a major role in budget conflicts during this time. In 1990, proposed tax increases were a sticking point (Gray 90-07-29), but in other years Republican opposition to tax increases does not appear to have contributed directly to budget delays. Nonetheless, subsequent chapters will show that the supermajority rule for tax increases did matter for budget gridlock in the 2000s. Thus, like the supermajority rule for budgets, the significance of this institutional change only appeared in the long run.

The second major factor that was conducive to gridlock, in combination with the supermajority rule for budgets, was the persistence of ‘divided government’ in a broad sense of the term. For the entire period, neither party simultaneously held the governorship and supermajorities of the seats in both houses of the legislature (Wilson 2011). Furthermore, neither party simultaneously had a supermajority of seats in both houses, and both parties rarely held a supermajority of seats in either of the houses. Thus, the legislative minority always had the ability to hold up the passage of budgets, provided that they remained unified. The legislative minority, typically Republicans, frequently used the supermajority rule to hold up budgets in order to extract concessions from the late 1960s to the late 1990s (Bee Capitol Bureau 1990-07-29; DeBare 1992-08-11; Doerr 2000:97-98, 175, 192, 274; Gray 1990-07-15, 1990-07-29; 1992-04-03; Mathews and Paul 2010:47-48; Quinn 2009; Rosenberg 1993; Schrag 1998:143, 205). Conflicts between Republican governors and Democratic lawmakers also contributed to budget

delays during these years (Doerr 2000:192-193, 215, 235-236, 253-254, 287, 307; Wiegand 2008-07-29). Divided partisan control was a second necessary condition for the particular pattern of budget gridlock in California. However, even in combination with the supermajority rule, these two conditions were insufficient for leading to increasing budget delays.

A third condition was necessary: the increasing polarization of Democrats and Republicans (Jacobson 2004; Masket et al. 2009:20, 66-67, 90-91, 106; Thorson et al. 2010:19, 25-26). The evidence indicates that elected Democrats and Republicans came under increasing pressure to vote on party lines from the 1960s on (Doerr 2000:285-286; Jacobson 2004; Masket 2009:8, 14, 76, 90-91, 152; Willcoxon and Willcoxon 2011:4-5), and that Democrats and Republicans increasingly adhered to distinct ideologies (Matthews and Paul 2010, 47; Schrag 1998:143, 153, 204-5). Changes in the broader electorate probably both reflected and reinforced this divide (Jacobson 2004:129-130; Masket 2009:190-191). Democratic and Republican voters became increasingly differentiated in terms of the liberal-conservative divide (Bowler, Nicholson and Segura 2005:152; Jacobson 2004:129-130), which coincided with a demographic and geographic re-alignment of the parties: Democratic voters were more concentrated in coastal areas, while Republican voters were more concentrated in inland areas (Douzet and Miller 2008:33-35); and the Democratic base became more racially diverse while the Republican base became increasingly white (Bowler, Nicholson and Segura 2005:146, 157; Korey and Lascher 2006). These changes in the bases of the two parties arguably increased the incentives for partisan conflict during this period (Jacobson 2004:129-130; Masket 2009:190-191), although there is a lack of evidence to show a direct connection. What is clear is that polarization amongst elected officials provided the motivation for the legislative minority (typically Republicans) to

fight against the legislative majority, and to use the supermajority rules to hold up the budget process in order to extract concessions.

In summary, the creation of the supermajority rule for budgets, the pattern of divided partisan control of the government, and increasing polarization combined to produce the increasing budget gridlock that California experience from 1969-1998. The first two conditions made it possible for the legislative minority to block budgets. The latter condition provided the impetus towards partisan conflicts over budgets in which the legislative minority was increasingly inclined to use its capacity to block budgets.

My historical narrative analysis revealed an additional factor that influenced the level of budget gridlock – the state’s fiscal conditions. I did not anticipate this condition in my theory of political decision-making, though Cummins (2012) had pointed to its importance. However, whereas Cummins (2012) measured fiscal conditions in terms of revenue swings, my focus has been on the projected size of the overall deficit, which better captures the situation that state officials are facing when they participate in the budget process. I found that larger deficits were related to the spikes in gridlock during the 1980s and 1990s, as they heightened conflict between Democrats and Republicans. However, my overall analysis indicated that budget deficits were not a necessary condition for budget delays during these decades; there were several budget stalemates in the late 1990s that resulted from conflict over how to use a *surplus* of revenues, not over how to make up for a deficit. Thus, fiscal conditions are secondary to my overall explanation for the rise of budget gridlock, whereas the three factors aforementioned factors (the two-thirds rule for spending, divided partisan control, and polarization between Democrats and Republicans) are all essential elements for the explanation.

I now turn to assessing the fit between my overall theory of political decision-making and the evidence presented in this chapter. My narrative analysis provided strong support for the first two claims of my theory and mixed evidence regarding the third claim. The first claim – that a higher number of veto points is more conducive to gridlock – is strongly supported by my analysis, as I showed that the creation of the supermajority rule for budgets played a crucial role in bringing about the rise of budget gridlock in California. The pattern of partisan conflicts and budget gridlock that California experienced would have been simply impossible without this institutional feature. Yet the effect of this institutional feature was not immediately felt; budget delays did not appear immediately after the 1933 proposition that created the proto-supermajority rule nor after the 1962 amendment that modified it to be a firm two-thirds requirement. Thus, my analysis shows that the effects of veto points are conditional on other factors. In some contexts, veto points may be present but actors lack the motivation and resources to use them effectively, so they are not salient obstacles in the political process. In other contexts, veto points are present and there are also actors with the motives and resources to utilize them either to extract concessions or block political decisions – such as budgets – altogether.

The second claim of my theory of political decision-making - that divided partisan control is favorable to gridlock – is also highly consistent with the results of my analysis. Budget gridlock was (with some exceptions) typically the result of *inter-party* conflicts between Democratic majority in the legislature, on one side, and the Republican Governor and legislative minority, on the other side, in which the Republican legislative minority used the two-thirds rules to block the Democrats' budget proposals. If there had been a Democratic unified government, the two parties would still have fought over the details of budget bills, but the Republican minority would not have been able to obstruct Democratic budgets. If there had been a Republican unified

government, the substance of budget plans would likely be very different than those of a Democratic unified government, but the implications for gridlock would be the same. However, divided partisan control cannot by itself account for why political decision-making is more efficient or more gridlocked. There is variation in the extent to which parties act as cohesive blocs opposing one another that is not explainable by looking only at the pattern of partisan control.

This brings us to the third claim of my theory – that the greater the alignment of parties with social and ideological cleavages, the greater the intensity of political conflicts, and the higher the chances of gridlock. Previous studies and other sources I analyzed showed that elected Democrats and Republicans diverged ideologically from the 1960s on (e.g., Masket 2009), and that this divergence made the budget process a site of intensifying conflict (e.g., Doerr 2000). On the other hand, the available literature did not allow me to assess this claim regarding political alignments for the full period, and was incomplete even for recent decades. My evidence is particularly limited in terms of the relationship between partisanship and social cleavages. It is possible that California's electorate was already polarizing during the 1960s, when – according to Masket (2009) – partisan voting began to increase in the Assembly. It is also possible that increasing polarization amongst activists and officials preceded and led to polarization amongst the broader electorate (Jacobson 2004), which would be consistent with evidence for national-level politics. In either case, the evidence in this chapter only allows me to make a more limited claim regarding ideological polarization amongst elected officials and to suggest that this was reinforced by partisan polarization amongst California voters (Jacobson 2004).

Overall, the historical narrative analysis supports the notion that the three aforementioned factors combined in a particular way to produce the outcome. In other words, the evidence shows

that a specific *conjuncture* led to the rise of gridlock, with none of the three factors sufficient in of itself to account for variation in the level of gridlock over time, which is consistent with my general theory of political decision-making. It also supports the notion that the way in which these three factors lead to gridlock is through partisan conflicts in which the opponents of budget bills held the upper hand. I found no evidence to indicate that budget delays in this period – 1969-1998 - were consensual outcomes (such as due to a lack of concern for the deadline by all actors), or were due to conflicts *within* the parties (such as between a governor and legislators of the same party). Budget delays were always the result of conflicts *between* Democrats and Republicans over spending, taxes, and other issues, and this pattern would persist – and intensify – in the subsequent decade.

Chapter 4: Gridlock under Gray Davis, 1999-2003

The five years during which Gray Davis was governor was a tumultuous period for California. There was a wild swing from the late 1990s' revenue boom to the recession of the early 2000s, an acceleration of partisan conflicts over fiscal issues, and a corresponding shift from on-time budgets to severe gridlock (see Table 4.1). Then, Davis' governorship came to an abrupt conclusion with his unprecedented recall from office (by voters) in 2003 and replacement with Governor Arnold Schwarzenegger.

Budget	Budget bill passed by the legislature	Budget bill signed by the Governor	Length of Delay (Days)^b
1999-2000	6/16/1999	6/29/1999	-2
2000-2001	6/22/2000	6/30/2000	-1
2001-2002	7/22/2001	7/26/2001	25
2002-2003	8/31/2002	9/5/2002	66
2003-2004	7/29/2003	8/2/2003	32

Source: Wilson (2011)

^b Number of days after July 1st, the start of the fiscal year, that the budget was signed (Wilson 2011). Negative values indicate the budget was signed before the start of the fiscal year.

In terms of the *frequency* of budget gridlock, the situation was more severe under Davis' predecessor, Governor Wilson (see Table 4.2, page 198). Seven out of the eight budgets under Wilson were not passed on time, compared with three of the five budgets passed under Davis. However, the *average length* of delays were greater under Davis, and the *longest delay* (in 2002) slightly surpassed the previous record (in 1991).

	Wilson (1991-1998)	Davis (1999-2003)
Late Budgets (%) ^a	87.5%	60%
Average Length of Delays (Days)	33	41
Longest Delay (Days)	63	66
Source: Wilson (2011).		
^a Late budgets are defined as budgets enacted after the start of California's fiscal year, July 1st.		

My theory of political decision-making offers a fairly strong explanation for the causes of budget gridlock under Governor Davis. The first proposition of my theory is that veto points make gridlock a more likely outcome. The evidence in this chapter confirms this claim; it is undeniable that the supermajority requirements gave a minority of legislators in both houses the ability to block budget bills and tax increases. The second claim of my theory was that gridlock is more likely when there is divided partisan control, i.e. when neither party controls all of the veto points in the political process. This claim is also supported by my analysis of the Davis Years. Although Democrats controlled the governorship and had a majority of seats in both houses, at no point did they have enough seats to pass budgets without support from some Republicans (see Table 4.3, page 199), and so Republicans were empowered to block budgets.

The third proposition of my theory is that the greater the polarization of political parties on social and ideological lines, the greater the chances of gridlock. My analysis of gridlock under Davis supports this claim to some extent. For Davis' entire term, in both the broader electorate and amongst elected officials, Democrats and Republicans were demographically distinct and ideologically polarized, and this encouraged partisan conflicts. However, the link between polarization at the mass and elite levels is not clear from the evidence I analyzed. Nonetheless, throughout Davis' governorship, the three factors that (according to my theory) are conducive to gridlock were each in place: multiple veto points within the political process, divided partisan

control, and high partisan polarization. As I will show, the combination of these three factors goes a long way to explaining the partisan conflicts over the budget, and resulting gridlock, of 2003-2005 (Table 4.1, page 197).

Table 4.3 - Partisan Composition of the Legislature under Davis (1999-2003)						
Year	State Assembly			State Senate		
	Democrats	Republicans	Seats Short of 2/3rds	Democrats	Republicans	Seats Short of 2/3rds
1999	48	32	6	25	15	2
2000	48	32	4	25	15	2
2001	50	30	4	26	14	1
2002	50	30	4	26	14	1
2003	48	32	6	25	15	2

Sources: NCSL 2011; Wilson 2011.

Note: Numbers in the chart show the partisan composition at the start of the year.

However, in the first two years of Davis’ governorship, the budget process was comparatively smooth (see Table 4.1, page 197). As I will elaborate on in the following sections, there were two additional conditions that account for this pattern. First, the influx of revenues made it easier for elected officials to cut a deal that was mutually satisfying to Democrats and (at least some) Republicans. When revenues cratered, and lawmakers were forced with hard choices to address huge deficits, policy disagreements were heightened and budget conflicts became more like a zero-sum game (see Table 4.4, page 200). Second, the legislature became even more polarized during Davis’ governorship; changes in legislative membership, as well as efforts by Republicans to punish (or threaten to punish) fellow partisans who crossed party lines, widened the divide between the two parties.

Fiscal Year	LAO Estimate, November²	Governor's Estimate, January³	Governor's Estimate, May³
1999-2000 ^a	-1.038	- - -	- - -
2000-2001	3.018	- - -	- - -
2001-2002	10.25	- - -	- - -
2002-2003	-12.393	-12.5	-23.6
2003-2004	-21.125	-34.6	-38.2

Sources: California State Governor (2000-2003a, 2000-2003b); California State Legislative Analysts' Office (1998-2002)

¹ Positive values indicate a projected surplus, rather than a projected deficit.

² Each November (of the prior calendar year), the Legislative Analyst's Office estimates the size of the state's total budget deficit or surplus for the upcoming fiscal year. This estimate includes the value of the deficit/surplus from the current fiscal year.

³ Sometimes, Governors' January budget proposals and May budget revisions provide estimates of the baseline budget deficit for the upcoming fiscal year (i.e., the budget deficit *without* any of the Governor's proposed budget solutions). These estimates include the deficit/surplus from the current fiscal year as well as the amount of money allocated to the state's reserve fund.

^a Neither the 1999 January budget proposal or the May revision were available.

In the following section I discuss the broader partisan context during Davis' governorship, which was conducive to partisan conflict over fiscal issues. Then I describe each of the budget processes that occurred under Davis in detail. I explain why budgets were on time in 1999 and 2000, but late (to varying degrees) in 2001, 2002, and 2003 (Table 4.1, page 197). In the conclusion, I will discuss the factors that account for this variation from year to year, further assess the fit between my theory and the case study, and discuss two alternative explanations for budget gridlock during this period (redistricting and term limits).

The Partisan Context

The social bases of California's political parties became more demographically distinct during the 1990s, and continued to be ideologically polarized. An underlying condition was the demographic transformation of California in the 1990s (Citrin and Houghton 2002). From 1990-2000, the white population of California decreased from 57.2% to 46.7%, while the Latino and Asian populations grew¹. The largest growth was for the overall Latino population, which went from 26.7% to 32.4% of Californians. Immigrants accounted for all of the growth in California's population during this period; by 2000, immigrants constituted 26.9% of the population in the state.

Along with this demographic change, there was increasing support for Democrats *within* racial and ethnic groups (Korey and Lascher 2006:48). In 1991, the Democratic advantage amongst Latinos was about three to two (three Democratic voters for every two Republicans), but by 2001 Democrats had the support of nearly 80% of Latinos. In 1991, Asian American voters favored Republicans more than Democrats, but by 2001 they favored Democrats over Republicans by about three to two. Whites also shifted away towards Democrats during this period, but to a much lesser extent than Latino and Asian American voters.² This racial realignment was also apparent amongst elected officials: in both the state legislature and its congressional delegation, nearly all Latino and Asian members are Democrats, while Republican lawmakers are predominantly white (Douzet and Miller 2008:37).

¹ The share of Californians who were African American declined slightly during this period, from 7% to 6.4% (Citrin and Houghton 2002).

² Korey and Lascher (2006:60) found essentially no change in partisan support amongst African Americans during this time period.

However, there were considerable gaps in political participation between racial/ethnic groups (Citrin and Houghton 2002). While whites were a demographic minority in California by 2000, they still made up 70% of the electorate. In contrast, Latinos and Asians were under-represented in the electorate, compared to their share of the population, and this under-representation was only partially accounted for by differences in citizenship rates. Even amongst citizens, the turnout rate for whites in 1990-2000 was about 18% higher than the turnout rates for Latinos and Asian Americans (Citrin and Houghton 2002:vii, 22).

Along with the increasing alignment between racial/ethnic groups and the political parties, geography also became more linked to race and partisanship (Douzet and Miller 2008). Douzet and Miller's (2008) research indicates that the distribution of racial groups across the state changed markedly in the 1990s. In general, the western, coastal part of the state has become more non-white, while the east has become more white (Douzet and Miller 2008:28). White migration from coastal to inland counties increased the racial homogeneity of inland areas (Kousser 2009). The northeastern counties of the state, in particular, became increasingly white relative to the rest of the state, with populations that are 80%-90% white (Douzet and Miller 2008:17-18, 22). In contrast, the proportion of Hispanics and Asians grew in many of the coastal and southern counties of the state, with whites becoming a minority in many counties in the southwest (Douzet and Miller 2008:17-18). In coastal areas, immigrants from Latin America and Asia replaced whites who were moving out to the suburbs (Kousser 2009). The west-east divide in terms of racial composition also coincides with differences in terms of education and income, with greater levels of education and higher median incomes in the coastal counties than in the inland counties (Douzet and Miller 2008:23-25, 28).

Douzet and Miller (2008:28) argue that these changes in county-level demographics have brought about a “partisan realignment along regional lines.” Democrats have the advantage in party registration in almost every coastal county from the top of the state to Orange County, and Republicans have receded from many coastal counties (Douzet and Miller 2008:29-32, 34, 37). The influx of immigrants generally expanded the Democrats’ voting base in these areas. In contrast, Republican registration has increased sizably in the northeast and central interior regions of the state (Douzet and Miller 2008:29-32).³ The migration of white Republicans to inland counties, along with conservative Democrats in these areas becoming Republicans, are responsible for this shift (Kousser 2009).

The increasing alignment of race, geography, and party over the 1990s coincided with a high alignment between partisanship and ideology (Jacobson 2004). For the 1992-2000 period, the association between party and ideological identification was 84.6%, a small increase from 80% in 1982-1990 (Jacobson 2004:130). More Californians also placed themselves at the extreme ends of the ideological scale, and fewer placed themselves in the middle. However, the NES data during this period also shows small decreases in partisan identification and inconsistent shifts in party loyalty and ticket-splitting, compared with the previous period (Jacobson 2004:119-120). Thus, while partisan polarization on ideological lines remained high and grew slightly, partisan identification and voting behavior do not appear to have increased during the 1990s.⁴

³ It should be noted that, despite the emergence of the overall west-east political divide, most partisan segregation in California still takes place on the local and county levels (Douzet 2008). Douzet (2008) found increasing partisan segregation – residential separation of Democratic and Republican Party registrants – at the local and county levels during the 1990s, in addition to the increasing west-east divide.

⁴ In their analysis of Field Poll data, Lascher and Korey (2011:11) also did not find a consistent trend in party loyalty in voting.

The changes in the broader electorate reinforced polarization within California's state government (Masket 2009). As discussed previously, Masket (2009) showed that Assembly Democrats and Republicans increasingly diverged in their voting behavior, i.e. what bills they supported and what bills they voted against. (Since Masket's [2009:67] dataset included all years from 1913 to 2003, it covered the period of Davis' governorship). Though Masket (2009:190-191) argued that polarization in the electorate was not sufficient, in of itself, to explain the increasing adherence to the party line amongst elected officials, it bolstered the existing trend towards party-line voting.

The 1999-2000 Budget Process

With the election of Governor Gray Davis in November 1998, the Democratic Party controlled the governor's seat for the first time in sixteen years (Wilson 2011). Democrats also had gained larger majorities of seats in both houses of the legislature; there were now 48 Democrats in the Assembly (versus 43 in the previous year) and 25 Democrats in the Senate (up from 23) (Table 4.3, page 199). Nonetheless, Democrats were short of having two-thirds super-majorities by 6 seats in the Assembly and 2 in the Senate, meaning they would need to persuade some Republicans to vote for the budget bill in order to pass it in both houses (Capps 1999-05-28; Smith 1999-03-24).

Going into the 1999-2000 budget process, the state faced a small deficit (relative to other years); a November 1998 Legislative Analyst's Office report projected the deficit to be \$1.04 billion (Legislative Analyst's Office 1998; see Table 4.4, , page 200). On January 8th, Governor Davis released his budget proposal, the first of his governorship, which estimated that the state faced a \$2.3 billion deficit (Capps 1999-01-09). Davis proposed to make up for this deficit

without tax or fee increases, but also without spending cuts. Instead, the Governor proposed a number of "revenue-increasing steps", such as drawing on settlement money from a multistate lawsuit against tobacco companies and asking for reimbursements from the federal government for various expenses. His budget also included a small pay raise for state workers, with a promise to re-evaluate the size of the raise if revenue increased. The Governor expressed disappointment that he did not have "more resources to allocate to the programs that I want, but I have to bring this budget into balance" (quoted in Capps 1999-01-09).

Both the Assembly and Senate versions of the budget bill were sent to their respective budget committees, the Assembly Budget Committee and the Senate Budget and Fiscal Review Committee (California State Legislative Counsel [CSLC] N.d.03, N.d.06). A week later, Legislative Analyst Elizabeth Hill offered her assessment of the Governor's budget, criticizing his revenue assumptions, such as the expectation of \$562 million from the pending tobacco settlement (Capps 1999-01-16). On the same day, the Democratic chairmen of the legislature's two budget committees expressed their goal to get the budget bill to conference committee in April, much earlier than was typical. The Governor had also made it known that he expected the legislature, for once, to pass the budget by the June 15th constitutional deadline (Capps 1999-06-18). He reiterated this position in an interview with the Sacramento Bee in March, saying he was "going to make sure the budget is passed on time... This is largely a function of will" (quoted in Smith 1999-03-24).

In February, the committees began their work on the bills "about two weeks early," according to Capps (1999-02-17), in order to get a budget passed by June 15th. On April 27th, the Senate's BFR committee approved the budget bill (SB 160) on an 11-1 vote (Capps 1999-04-28; CSLC N.d.06). Senator Jim Brulte, the Republican vice-chairman of the Committee, voted for

the budget, but said there were parts of the plan that "most if not all [Republicans] could not support" (quoted in Capps 1999-04-28). Two days later, SB-160 was passed by the full Senate on a 28-2 vote, including the 'urgency clause' necessary for the bill to take effect immediately (CSLC N.d.06).

Meanwhile, the state's fiscal outlook had improved. In mid-February, Legislative Analyst Elizabeth Hill released updated revenue projections, saying that state revenues would likely be higher than Davis had estimated in his January budget - to be more specific, \$758 million higher for the current fiscal year (1998-1999) and \$558 for the upcoming fiscal year (1999-2000) (Capps 1999-02-17). In late April, the Franchise Tax Board reported that revenues were higher than expected, including an extra \$1.48 billion in income tax revenues during the month of April (Capps 1999-04-28).

In early May, the Legislative Analyst's Office (LAO) issued another report with updated revenue projections, forecasting \$2 billion in unanticipated revenue for the current fiscal year and \$2 billion more for the 1999-2000 fiscal year (Capps 1999-05-08). In response, Republican Senate leader Jim Brulte said he hoped that Davis would agree to a tax cut. Several days later, Assembly Republicans called for a \$1.5 billion tax cut as part of the budget and presented a list of specific tax cuts they supported (Capps 1999-05-13). "We can all see that over-taxation causes surplus tax collections," said Assembly Republican leader Scott Baugh of Huntington Beach (quoted in Capps 1999-05-13). "We ask that Governor Davis and our Democrat colleagues set a place for taxpayers at this bountiful table."

However, it was Davis' intention to set aside much of the windfall revenue for education spending, not tax cuts (Capps 1999-05-13). Davis' revised budget, released on May 14th, proposed to use most of the state's surplus to increase school spending and fund public works

projects (Capps 1999-05-15). Davis argued that most of the surplus should be used for on one-time expenses, rather than making permanent spending increases or tax cuts, since revenues might dip in future years. One of the one-time expenses he proposed was building a new state prison in Delano, which was favored by Republican lawmakers but opposed by the Democratic chairs of the budget committees, Ducheny and Peace (Capps 1999-05-23). Meanwhile, Legislative Analyst Hill, in her assessment of the Governor's plan, said that the Governor's estimate of a \$4.3 billion surplus was probably too low (Capps 1999-05-18).

In the following week, the Senate's budget bill (SB-160) was amended in the Assembly, and then passed on a 44-25 vote on May 20th (CSLC N.d.06). After being sent back to the Senate, the Senate refused to accept the Assembly's amendments (no Senators voted in support). On May 25th, a conference committee was formed to resolve the disagreement. At around the same time, the Assembly Budget Committee finished its work on its version of the budget bill, and the Assembly approved amendments to the bill (CSLC N.d.03). On the 27th, the Assembly approved its version of the budget bill on a 45-32 vote, setting up the conference committee to resolve the differences between the two versions (Capps 1999-05-28). Assembly Republicans did not vote for the bill after their amendments - including an elimination of the vehicle license fee (VLF) - were rejected. The Bee notes that "Although Thursday night's vote was largely procedural, Assembly Republicans refused to vote for the measure, forcing Democrats to remove spending authority from the measure in order to move it into the conference committee" (Capps 1999-05-28).

At the beginning of June, the budget conference committee convened to draft the compromise proposal (Capps 1999-06-02). Some of the key differences between the various versions were that the Assembly plan had rejected Davis' proposal to set aside money to pay for

a future cut in the vehicle license fee (which would be triggered if revenues continued to grow); both houses rejected the Governor's proposal to build a new prison in Delano; and both houses excluded Davis' idea for a teacher bonus incentive program. On the other hand, Republican legislators continued to push for tax cuts and for less spending on social services. Unlike in previous years, the Conference Committee played a more prominent role in the process; Davis was involved in negotiations, but met one-on-one with legislative leaders rather than holding "Big Five" talks that eclipsed the work of the Conference Committee (Capps 1999-06-18).

On June 10th, Davis announced that he was willing to concede to Republican's demand to accelerate the vehicle license fee cut (Capps 1999-06-11). A 1998 agreement had stipulated that the cut to the vehicle license fee would be phased in over five years, but Republicans wanted the full cut to take effect by 2000. Despite this concession, Assembly GOP leader Scott Baugh stated that Assembly Republicans would not vote for the budget unless it also provided financial relief for local governments and funds for the building of the prison in Delano. According to Capps (1999-06-11), Assembly Republicans were (as usual) more conservative than their counterparts in the Senate. The conference committee worked through the night of June 10th on the budget package, approving it on the morning of June 11th (Capps 1999-06-12). Assembly Republicans, however, were still unhappy about the lack of funding for the Delano prison, and many wanted an even larger cut to the vehicle license fee.

In the Senate, the budget passed easily with a 36-3 vote, with 3 Republicans opposed (Capps and Matthews 1999-06-16; CSLC N.d.06). In the Assembly, however, the budget stalled on a 48-31 partisan vote; Republicans blocked the adoption of the urgency clause. Negotiations continued between legislators and the Governor (Capps and Matthews 1999-06-16), during which Davis conceded to several additional, relatively small tax breaks (Smith and Capps 1999-

06-17). As part of the budget deal, both houses also enacted legislation to approve funding to build the Delano prison, with a 28-6 vote in the Senate and 70-3 in the Assembly (Matthews 1999-06-17).

The next day, on a 69-10 vote, the Assembly approved the main budget bill (CSLC N.d.06; Smith and Capps 1999-06-17). Explaining the vote, Republican Assembly Leader Baugh said "we came to the conclusion that a long, protracted budget battle would do more harm than good" (quoted in Smith and Capps 1999-06-17). According to Assemblyman Steve Baldwin (a consistent 'no' vote on budgets due to his opposition to funding for abortions) said his colleagues assumed that they would be unlikely to get further concessions (Hoge 1999-06-18). For his part, Baldwin was "shocked" and "disgusted" by the vote and said, "I have the feeling Democrats are laughing at us, thinking "My goodness, (less than) 24 hours and they caved" (quoted in Hoge 1999-06-18).

A few days later the budget bill was sent to the Governor, and Davis signed it into law on June 29th, just in time for the start of the fiscal year (Capps 1999-06-30; CSLC N.d.06). It was California's first on-time budget in six years (Capps 1999-06-30; California State Department of Finance 2015). Davis celebrated the occasion with "scores of schoolchildren, union carpenters, state employees, veterans and friendly legislators [at] the steps of the Capitol to witness the signing ceremony" (Capps 1999-06-30).

Overall, the 1999-2000 budget process was relatively smooth; partisan conflict over the budget was fairly mild and bipartisan compromise was reached fairly easily, allowing the budget to be enacted on time. At the outset, the state was projected to have a small deficit, but the improving revenue picture during the first half of 1999 moved the state into a projected surplus (Capps 1999-01-09, 1999-04-28, 1999-05-08; Legislative Analyst's Office 1998). In this context,

a partisan conflict developed over how to use the extra revenue (Capps 1999-05-13, 1999-05-15), though there was also disagreement between Davis and Democrats over prison construction (Capps 1999-05-23, 1999-06-02). Assembly Republicans presented several demands, to which legislative Democrats compromised on without much resistance (Capps 1999-05-28, 1999-06-11, 1999-06-12; Matthews 1999-06-17). Davis helped to broker the bipartisan deal by agreeing to accelerate the VLF cut and to other tax breaks (Capps 1999-06-11; Smith and Capps 1999-06-17). The result was a budget that passed both houses with many Republican yes votes.

To understand why the budget process was so smooth in 1999, one factor was the improving fiscal outlook, which enabled all sides to get much of what they wanted; Davis and legislative Democrats got the boost to education spending they wanted, Davis and Republicans got funding to build the prison in Delano, and Republicans got an acceleration of the VLF cut and other concessions (Capps 1999-06-18, 1999-06-30). An additional factor was Davis' insistence that the legislature meet the June 15th constitutional deadline, and a professional budget staff and "handful of strong-willed lawmakers" who were also strongly committed to meeting the deadline (Capps 1999-06-18). More crucial, in my view, was that many Assembly Republicans – under Baugh's leadership – appeared to have decided that a strategy of holding up the budget past the start of the fiscal year was unlikely to succeed (Hoge 1999-06-18; Smith and Capps 1999-06-17). Assembly Republicans had the numbers to utilize the supermajority rule to continue to block the passage of the budget (Table 4.3, page 199), but most decided to settle for a partial victory rather than insisting on the maximal demand of permanently cutting the VLF (Smith and Capps 1999-06-17).

The 2000-2001 Budget Process

Even before Davis released his January budget proposal (Capps 2000-01-11), various groups were already presenting ideas for how to spend a projected state surplus (Capps 1999-11-18, 1999-12-02). The Legislative Analyst's November 1999 report projected that the state would end the *current* fiscal year (1999-2000) with a \$2.6 billion reserve, which would grow to \$3 billion by the end of the 2000-01 fiscal year (Capps 1999-11-18; California State Legislative Analyst's Office [LAO] 1999; also see Table 4.4, page 200). In response, Senate Republicans claimed that the surplus would be even larger and said it should be spent on infrastructure and education, including a 50% cut to tuition at state colleges (Capps 1999-11-18, 1999-12-02). For their part, county officials argued that some of the surplus should be used to settle a lawsuit between the state and counties, while school officials argued that some of it be used to settle a lawsuit over education funding. However, according to Hill's report, much of the influx of revenue would have to be returned to taxpayers, because the cut to the vehicle license fee would continue to be phased in as long as the state had surpluses (Jacobs 1999-11-23).

On January 10th, the Governor released his budget proposal (Capps 2000-01-11). Saying that "California is flush," he argued for using the extra money to boost spending on K-12 schools, colleges, and elderly care. He also included several tax breaks in his plan, but Republicans complained that they were too small. In addition, Republicans pushed for a boost to infrastructure spending and a 50% cut to college tuition. On the same day, budget bills were introduced in both houses of the legislature, AB-1740 in the Assembly SB-1344 in the Senate (CSLC N.d.04, N.d.06). A few days later, Legislative Analyst Hill met with legislative leaders and told them she expected that the budget surplus would be \$3 billion more than Davis had projected in his budget plan (Capps 2000-01-14). The next month, the LAO again raised its

revenue projection by \$1.2 billion (Capps 2000-02-18). Thus, the state's fiscal outlook continued to brighten.

In early May, the Senate's Budget and Fiscal Review Committee approved SB-1344, their version of the budget bill, on a 12-to-1 vote (CSLC N.d.06). The next day, the bill was amended on the Senate floor. As in the previous year, Democrats needed to win over a few Republicans because they lacked enough seats to overcome the supermajority rule (see Table 4.3, page 199; Capps 2000-01-14). On May 8th, the Senate passed the budget bill (including the urgency clause) on a 27-to-11 vote, against the opposition of most Republicans (Capps 2000-05-09; CSLC N.d.06). The Republicans that voted no argued for some of the \$13 billion surplus to be used on a permanent tax cut and for more school spending, including their proposed tuition cut (Capps 2000-05-09). On the same day, thousands of teachers rallied at the Capitol to call for more education spending, with the backing of the California Teachers Association (CTA).

In addition to the pressure from teachers to put more education spending in the budget, Democrats were pushed by a fellow party member, State Controller Kathleen Connell, to further cut taxes (Capps 2000-05-11). Connell presented a plan for a \$4 billion tax cut, including a full elimination of income taxes on low-income individuals, as well as business tax breaks (Capps 2000-05-11). The next day, Davis offered his own tax cut idea, calling for a \$150 rebate for all of California's income taxpayers, which would total around \$1.75 billion (Capps 2000-05-12). However, Davis' proposal was challenged from both parties in the legislature. Democrats expressed concern that the tax rebate would be too expensive, while Republicans from both houses insisted on a permanent tax cut rather than a one-time rebate. Later in the month, Senate Democrats promoted an alternative to Davis' tax rebate proposal; rather than providing rebates only to taxpayers, they would send rebates to every Californian (Capps 2000-05-24).

Several days later, on May 15th, Davis released his revised budget proposal, which now estimated that the state's budget surplus would be a massive \$12.3 billion (Capps 2000-05-16). Davis' revised budget included a new idea that drew criticism from legislators of both parties – a measure to exempt public school teachers from the state's income tax. This idea was also an exception to Davis' general opposition to creating new ongoing expenses (as opposed to one-time expenses). This idea also did not seem to have the backing of the teachers' unions (Capps 2000-05-16, 2000-05-24). The CTA president, Wayne Johnson, told the Bee that the income tax exemption was not a central issue (Capps 2000-05-16). The California Federation of Teachers was outright opposed to the idea, instead preferring a pay raise for teachers (Capps 2000-05-24).

In the Assembly, on May 23rd, the Budget Committee approved their version of the budget bill, on a 15-0 vote (Capps 2000-05-24; CSLC N.d.04). This version included the tax rebate but not a specific plan for how it would be distributed, which they left to the conference committee to work out (Capps 2000-05-24). The following day, the Assembly amended AB-1740 (CSLC N.d.04), and then passed the bill (with the urgency clause) on May 26th (Capps 2000-05-27; CSLC N.d.04). The vote was 54 to 0, with nine Republicans joining Democrats in voting for the bill. However, Republican Leader Scott Baugh stipulated that Republicans would only vote for the final bill if significant revisions were made, including a larger tax cut, more infrastructure spending, and less welfare spending (Capps 2000-05-27).

On May 30th, the Senate amended AB-1740 and passed it on a 27-9 vote, then sent it back to the Assembly (CSLC N.d.04). However, the Assembly refused to concur with the Senate on its amendments on an overwhelming 3-to-75 vote. The bill then headed to Conference Committee to resolve the disagreement. The committee members rejected Davis' proposals for an income tax rebate for all taxpayers and an income tax exemption of school teachers (Capps

2000-06-03, 2000-06-06). As an alternative to the latter, the committee unanimously approved a reduction to mandatory retirement contributions for teachers, while also boosting retirement benefits, which was possible by drawing on a surplus in the state's retirement fund for teachers (Capps 2000-06-06). At first, the Assembly members on the committee rejected tax cut proposals from the Senators – specifically, they rejected Senator Steve Peace's (D-Cajon) idea for a sales tax rebate and Senator Brulte's (R-Rancho Cucamonga) idea to expand the dependent tax credit (Capps 2000-06-03). However, several days later, on June 10th, both of these ideas were approved by the committee as part of a broader \$2.7 billion tax reduction plan (Capps 2000-06-11).

The Conference Committee finalized the budget deal late into the night on June 11th, approving it on a 4-0 vote with both Republicans abstaining (Capps and Bazar 2000-06-13). One of them, Assemblyman George Runner (R-Lancaster), said "There is not a budget vote available from our caucus the way this budget is laid out. Not a one" (quoted in Capps and Bazar 2000-06-13). Assembly Republicans insisted on more money for permanent tax cuts, and also wanted gasoline tax revenues to be dedicated to funding infrastructure projects. Davis offered his support for the latter idea (Capps and Bazar 2000-06-16).

On June 15th, the Senate voted 31-to-9 to adopt the Conference Report, along with the urgency clause (Capps and Bazar 2000-06-16; CSLC N.d.04). However, the conference report was blocked in the Assembly, six votes short of the two-thirds requirement, with only one Republican voting for it. At this point, Republicans raised a new objection (Capps and Bazar 2000-06-16): they argued that the tax cuts in the budget might have the unintended effect of postponing, or even cancelling, the cut to the vehicle license fee scheduled to go into effect in 2002. There were two reasons for this possibility. First, the 1998 law that instituted the vehicle

license fee made the cuts contingent on the growth of state revenues – specifically, that they grew faster than projected – and Republicans worried that the tax cuts in the budget would dampen revenue growth (Capps and Bazar 2000-06-16; LAO 2002a:151-152). The second issue was that the 1998 law stipulated that, when other tax cuts exceeded \$100 million, the equivalent of those cuts would be deducted from any vehicle license fee reduction (Capps 2000-06-22, 2000-06-23; LAO 2002a:151). Assembly Republicans insisted that the budget change the law to ensure that the vehicle license fee cut would still take effect regardless of the size of state revenues and regardless of the size of other tax cuts (Capps 2000-06-22; Capps and Bazar 2000-06-16).

Although not relevant at the time, it is important to note that the law that instituted the vehicle license fee cut contained a third ‘trigger’ provision, which became a major point of contention in the 2003 budget process and played an important role in the recall campaign against Governor Davis (Bluth 2003-07-15; Hill and Bluth 2003-02-08). To provide some background, VLF revenues are allocated to local governments, so when the legislature passed the law to cut the VLF, they agreed to make up for the loss of VLF revenues through a “backfill” (LAO 2002a:152); this meant the state transferred funds to local governments equivalent to the amount of money they lost from the VLF cut. However, the legislature also added a trigger provision; if the state had ‘insufficient moneys’ to pay for the backfill, the VLF was supposed to be automatically increased (LAO 2002a:156-157). Unfortunately, the law was ambiguous about what constituted “insufficient moneys” and which government official would make the determination (LAO 2002a:156-157), which would make the issue rife for partisan conflict in 2003. Returning to the 2001 budget process, Davis indicated a willingness to compromise with Republicans on the VLF cut (Capps and Bazar 2000-06-16), and reached out to Republicans to

try to win their votes (Capps 2000-06-22). However, Davis aides also signaled that Republicans that opposed the budget would risk line-item vetoes for their spending items. Meanwhile, Assembly Democrats introduced a compromise plan on June 21st, which would lock in the vehicle license fee reductions, but reduce the size of the cut (a 58.7 % cut versus 67.5%) (Capps 2000-06-22). Assembly Republicans rejected this proposal, arguing that the full fee cut should be preserved.

In contrast to Davis and Assembly Democrats, Democratic Senate President Burton voiced strong opposition to Assembly Republicans' stance on the VLF cut (Capps 2000-06-20). "We are not in the Senate going to jeopardize the fiscal integrity of the state's general fund over the next 10 years so that some members of the Republican caucus -- who are not going to vote for the budget under any circumstances -- are happy," Burton said (quoted in Capps 2000-06-20). "We have done our job...If it unravels, it's going to unravel over there [in the Assembly], not because of us."

On June 22nd, the Assembly reconsidered the conference report for AB-1740, and again fell six votes short of the 2/3rds requirement (CSLC N.d.04). Another motion to reconsider was made by Assembly Member Shelley, and this time the Assembly adopted the Conference report on a 61-to-18 vote. The breakthrough came after Democrats agreed to accelerate, and make permanent, the vehicle license fee reduction, which gained fourteen Republican yes votes for the budget bill (Capps 2000-06-23).⁵ A separate bill for the VLF cut plan won on a 35-0 vote in the Senate, then a 77-1 vote in the Assembly (California State Legislature [CSL] N.d.15; Capps 2000-06-23). Senate President Burton, who had opposed the original license fee cut legislation,

⁵ An LAO (2002a:151-152) report clarifies that the legislature got rid of two of the triggers in the law: the VLF cut would no longer be contingent on increases in revenue, and the VLF cut would not be reduced to offset other tax cuts. However, the legislature left in place the third trigger, that the VLF would be increased if the state had "insufficient moneys" to pay for the "backfill" to local governments (LAO 2002a:156).

opined that "This could be farewell to one of the worst ideas thought up by God knows who" (quoted in Capps 2000-06-23).

The legislature passed another tax cut bill on the 29th, which contained a variety of tax breaks, as well as moving the full license fee reduction up to 2001 and appropriating funds for the cut (Capps 2000-06-30; CSL N.d.14; LAO 2002a:151). The difference between the existing 35% cut and the new 67.5% cut would be paid out as rebate checks to taxpayers, at Davis' insistence, so that "folks have a tangible representation of the tax break that they are getting", according to Davis spokeswoman Hillary McLean (quoted in Capps 2000-06-30). After the passage of this bill, the final piece of the overall budget package, the Governor signed the budget into law on June 30th, right before the start of the fiscal year (Capps 2000-06-30, 2000-07-01; CSLC N.d.04). Davis signed the budget in a ceremony surrounded by a small group of elementary school children (Capps 2000-07-01).

In sum, the 2000-2001 budget process was relatively smooth and concluded with an on-time budget, resembling the process in the previous year. There were two key differences from 1999. First, the state's fiscal outlook was even brighter due to the massive influx of revenues, which made it possible for Democrats to get spending increases they desired at the same time as Republicans got the tax cuts they wanted (Capps 2000-06-23, 2000-07-01). Second, Davis, Democratic lawmakers, and Republicans all agreed on spending some of the windfall on education while also making some tax cuts (albeit with different plans). In this way, the scope of policy disagreement was less than in the previous year. For example, Senate Republicans' plan to cut college tuition by 50% could easily be described as a 'liberal' proposal, rather than a 'conservative' policy idea. The main point of partisan disagreement was the VLF cut, with

Assembly Republicans insisting on the full acceleration. They took advantage of the 2/3rds rule to get their way on the issue.

The 2001-2002 Budget Process

At the outset of the 2001-2002 budget process, California was experiencing "an extraordinary economic and revenue boom" (LAO 2000:1). In November 2000, the LAO reported that the state was on track to end the current fiscal year (2000-2001) with a \$6.9 billion surplus, and projected an additional surplus of \$3.4 billion for the upcoming fiscal year (2001-2002), bringing the total reserve up to \$10.3 billion (Capps 2000-11-16; LAO 2000). Hill said that the windfall revenues provided "a unique opportunity for the Legislature and the governor to well position the state for the future" (quoted in Capps 2000-11-16). In response, Governor Davis and Assembly Speaker Robert Hertzberg (D-Sherman Oaks) signaled that they would seek to use the surplus to boost education spending, among other priorities. The new Assembly Republican leader, Bill Campbell (R-Orange), called for instituting permanent tax cuts (Capps 2000-11-16). He also joined Senate Republican leader Brulte, in early December, in presenting a proposal to allot \$1 billion of the surplus to school construction projects. In response, Senate President Burton quipped that "It's a better use of money than a tax cut for the rich, which is what they usually want" (quoted in Rojas 2000-12-08).

In the 2000 elections, Democrats gained two seats in the Assembly and one seat in the Senate, so the partisan composition of the two houses was now 50-30 and 26-14, respectively (Table 4.3, page 199). Nonetheless, they will still short of a supermajority by four seats in the Assembly and one seat in the Senate. In addition, the turnover in occupancy meant that "A third

of the [members of the] Assembly [have] never done a budget," according to Dan Howle, Senator Peace's chief of staff (quoted in Hill 2001-05-10).

Davis' budget proposal, released on January 10th, included a significant boost for school funding (including adding six weeks to the school year for middle schools), \$1 billion for solving the state's energy crisis, and a novel idea for a three day sales tax 'holiday' for August (Capps 2001-01-11). Davis' proposal counted on \$2.3 billion less in revenue than the LAO had projected in November due to a slowing economy (Capps 2001-01-13). In the next couple of days, budget bills were introduced in both houses of the legislature – AB-95 and SB-75 (CSLC N.d.01, N.d.09).

Responding to the Governor's plan, Assembly Republican leader Campbell and the Democratic chair of the Senate Budget Committee expressed their disapproval of the proposed sales tax holiday and pressed, instead, for a permanent cut to the sales tax (Capps 2001-01-11). Legislative Analyst Hill gave a positive initial assessment of Davis' budget projections (Capps 2001-01-13). However, she warned that the drop in revenues could also be considerably worse if economic growth slowed even more.

In February, Hill's full assessment of the governor's budget proposal warned about the effect that the state's energy crisis might have on state finances, as well as the economic slowdown (Sanders 2001-02-22). To provide some background, in the previous summer two major utility providers - , Pacific Gas and Electric and Southern California Edison - faced a budget crunch as the wholesale price of electricity rose rapidly, but the rates at which electricity could be provided to their customers were fixed under a 1996 law (Sacramento Bee 2001-04-26). When the utilities ran out of money, the state stepped in to fund the power purchases in January, to be paid back by revenue bonds (Hill 2001-04-28; Sacramento Bee 2001-04-26; Walters 2001-

03-02). However, the sale of revenue bonds was delayed, putting the state's general fund under strain. To deal with this problem, as well as the economic slowdown, Legislative Analyst Hill recommended that about a quarter of the projected \$8 billion surplus be set aside (Sanders 2001-02-22). She also came out against the governor's proposal to extend the length of the school year for middle schools, arguing instead that the \$100 million be distributed as block grants to districts, so they could decide for themselves how to improve education. In response, Kerry Mazzoni, the secretary of education, reiterated the Governor's support for extending the middle school year across the state.

In late April, the state's income tax receipts were found to be higher than expected, bolstered by taxes on stock options (Hill 2001-04-28). However, payroll tax revenues – a better indicator of current economic conditions - had fallen off since February, according to the Department of Finance, and if they continued to decrease it would reduce state revenues by \$2 billion compared to Davis' January estimates. Furthermore, the state had already spent \$5 billion on power purchases, which – absent the issuing of revenue bonds – “would throw the budget completely out of whack” (Hill 2001-04-28), but the passage of the revenue bond measure was held up in the legislature (Bazar 2001-05-01; Sacramento Bee 2001-04-26). Republicans said they would withhold support for the bill to authorize the sale of \$10 billion in bonds, which as a urgency measure was subject to the 2/3rds requirement, “until they received additional information” (Bazar 2001-05-01; also see Sacramento Bee 2001-04-26). State treasurer Phil Angelides warned that, if legislators didn't act soon, then “the state might miss a May 8 deadline for closing on a crucial \$4.1 billion bridge loan” (Bazar 2001-05-01). In response to the holdup, S&P lowered the state's credit rating (Sacramento Bee 2001-04-26).

Hoping to persuade Republicans to approve the revenue bonds, Davis released a plan for dealing with the energy crisis, including a projection that the state was set to spend upwards of \$18 billion on electricity through the end of the 2001-2002 fiscal year (Bazar 2001-05-01). Assembly Republicans questioned the governor's projection, suggesting that it was an underestimate of what the state would be forced to spend over the coming year. In May, the legislature held a special session on the energy crisis, during which Republicans and Democrats argued over how to pay for the state's energy expenditures (Sanders 2001-05-08). Democratic Assembly members supported the bonds (which would be paid back by rate increases in the future) while Republicans supported using part of the state's budget surplus. After two hours of debate, the Assembly approved a bill to sell \$13.4 billion in bonds to cover the state's electricity purchases, with only one Republican voting yes (49-to-29). Since the bill did not receive two-thirds support, it could not take effect as an urgency measure, and so the bond sale would be delayed for 90 days.

On May 9th, Legislative Analyst Hill gave a grim update that the state now faced a \$1.5 billion *deficit* for upcoming fiscal year due to falling tax revenues (Hill 2001-05-10). Furthermore, she said that Davis' original budget plan - due to its spending increases - would raise that figure up to nearly \$6 billion. In light of the new projections, Democrats on the Joint Legislative Budget Committee indicated that they would consider spending cuts.

In advance of Davis' May Revision, Republicans issued their own budget plan (Hill 2001-05-10). It called for sparing schools and law enforcement from cuts, saving a \$4 billion reserve to buy electricity, and blocking an increase in the sales tax (Hill 2001-05-10). Since the latter issue was an important and complicated point of partisan conflict, it is necessary here to provide some background on the issue. A 1991 law created a quarter-cent boost to the sales tax,

with a trigger that would cut the tax back down if the state's reserve grew to more than 4% of the size of the general fund (Hill 2001-06-24, 2001-06-27). The decision whether or not to pull the trigger was to be made by the Director of Finance each November (Hill 2001-06-27). The trigger had been pulled for 2001 (LAO 2002a:46), but due to the worsening fiscal outlook the sales tax was almost certainly going to go back up for 2002 (Hill 2001-06-27). Republicans viewed this as a “new tax increase [that] should be eliminated.”

On May 14th, Davis released his revised budget plan, proposing new spending cuts, fund transfers, and drawing on half of the state's \$1.9 billion reserve (Hill 2001-05-15, 2001-05-16). To save money, Davis called for cuts to most state departments and various programs, but Davis still sought to increase education spending and increase the length of the middle school year (but by only 20 days rather than the 30 days he initially proposed). Other key changes from his January proposal were that Davis now sought to postpone transferring gas tax revenues to a special fund for transit, as planned, and scrapped his idea for a sales tax holiday.

Republicans criticized the Governor's plan to draw down the state's reserve and called for more spending cuts (Hill 2001-05-16). Democratic Senator Peace (chair of the BFR committee) agreed that Davis' budget plan did not leave a big enough reserve (Hill 2001-05-15). Republican Assembly Leader Cox also said that Republicans would resist Davis' plan to delay the transfer of gasoline tax revenues to the fund dedicated for transit spending. In addition, Moody's, the credit rating agency, reacted negatively to Davis' May Revision, lowering its rating for California bonds. The agency explained its decision was influenced both by Davis' new proposal as well as the failure of the bond measure, earlier in the month, to be passed with an urgency clause so it could've gone into effect immediately (Hill 2001-05-16; Sanders 2001-05-08).

Legislative Analyst Hill also critiqued the Governor's plan, warning that, by relying on one-time fixes instead of reducing year-to-year spending, it would leave the state with a \$4 billion deficit for the 2002-03 fiscal year (Hill 2001-05-17). Growth in state expenditures was set to outpace revenues, and these one-time fixes would be off the table for next year's budget. The fiscal situation could be even worse if the economy did not recover or if the general fund did not get reimbursed for the electricity purchases. For these reasons, Hill told the legislature to consider making larger spending cuts to the budget for the upcoming year.

In the following week, the budget committees in both houses gave their approval to their respective versions of the budget bill (CSLC N.d.01, N.d.09). Then both houses approved amendments to the budget bills and passed them. In the Assembly, the vote was 49-to-28 on party lines, so it did not reach the 2/3rds threshold that would be necessary to pass the final bill (CSLC N.d.01; Hill 2001-05-26). The Assembly plan differed from Davis' proposal on several key points, including that it excluded his idea to increase the length of the middle school year, and that it called for a larger reserve, about \$1.8 billion as opposed to Davis' \$1 billion target. Assembly Republicans pushed for an amendment to raise the reserve to \$2.2 billion, but it was blocked by Democrats. Republicans also continued to oppose the delay of the gas tax transfer to a special fund as well as the reinstatement of the quarter-cent sales tax increase.

In the Senate, the vote for their version of the budget bill was 27-to-11, with one Republican voting yes, meaning that there were just enough votes (2/3rds) to include the urgency clause (CSLC N.d.09; Hill 2001-05-30). The Senate plan resembled the Governor's proposal but had a bigger reserve goal (\$2.4 billion versus Davis' \$1 billion) and added back in spending on health and social services that Davis had scrapped in his revised budget (Hill 2001-05-30).

Unlike the Assembly, the Senate left in Davis' idea for a middle school year increase, but targeted it to "low-performing schools".

Next, SB-75 was sent to the Assembly, where it was discussed by the Budget Committee, then amended (CSLC N.d.09). On May 30th, the Assembly voted to pass SB-75 on a 47-26 vote, and sent it back to the Senate. The Senate, however, rejected the Assembly's amendments on a 0-to-37 vote. At this point both houses appointed members to the conference committee to work through the disagreements between the houses.

The conference committee started meeting in early June (Hill 2001-06-06). According to Walters (2001-06-05), Senate and Assembly Democrats disagreed both over revenue estimates and how large of a reserve to set aside (Walters 2001-06-05). Three days into deliberations, a Department of Finance official told the committee that the state may not be able to legally transfer money from special funds to the general fund, which would've helped reduce the deficit (Hill 2001-06-06). They also received bad news that sales tax revenues had fallen off in May, with the state taking in nearly \$150 million less than expected, and that the federal government's phase-out of the estate tax would lower California's estate tax revenues. Two committee members, Senator Peace (D-El Cajon) and Senator Ackerman (R-Fullerton), argued that spending in the budget bill should be cut further to increase the size of the reserve.

In the second week of June, the conference committee barely met as the Davis Administration held meetings with committee members and Democratic legislative leaders (Hill 2001-06-14, 2001-07-26). Conference Committee Chairman Tony Cardenas (D-Sylmar) explained, "There's no reason to meet when legislators and Gov. Gray Davis still haven't worked out their differences" (quoted in Hill 2001-06-14). Republicans were not part of talks with the governor (Hill 2001-06-14); "We're more observers at this point," said Assemblyman George

Runner, R-Lancaster another conference committee member (quoted in Hill 2001-06-14).

Retrospectively, Republican Senate Leader Brulte expressed frustration that Republicans weren't included in negotiations at this stage (Hill 2001-07-26).

With the bond sale delayed until mid-August, Davis decided to issue an emergency order to relieve the pressure on the general fund (Bazar 2001-06-20). On June 19th, Treasurer Phil Angelides said he had obtained emergency authorization to borrow \$5 billion from private firms to pay for electricity, rather than continuing to draw on the state's general fund (Bazar 2001-06-20). "In essence, it stops the general fund bleeding", he said (quoted in Bazar 2001-06-20). In the next week, Angelides was able to secure \$4.3 billion in loans to cover electricity purchases, helping improve the state's immediate fiscal situation, and also leading S&P to remove California from its "credit watch" list (an indication that it was no longer at risk for a further credit cut) (Kasler 2001-06-29).

Meanwhile, on June 19th, the conference committee moved forward on the budget bill after Davis had expressed his support for a larger reserve and willingness to pare back education spending (including dropping his proposed extension of the middle school year) (Hill 2001-06-20). The committee made cuts to various items in the budget, working towards reducing spending in budget by at least \$1 billion, but fell short on this goal (Bee Capitol Bureau 2001-06-22; Hill 2001-06-20; Smith 2001-06-26). Republicans and Democrats on the committee argued over the sales tax issue, with Republicans arguing that the sales tax should not be increased even though the reserve had fallen below the trigger level (Hill 2001-06-20). Assembly Democrat Carole Migden pointedly asked Assembly Republican Runner how Republicans would make \$600 million in cuts in lieu of the scheduled sales tax increase. Finally, on May 24th, the conference committee passed the plan on a partisan vote, sending the bill back to the Assembly

and Senate for final approval (Hill 2001-06-24). Since the committee fell short on its goal for spending cuts, Davis officials indicated that the Governor would use his line item veto power to trim an additional \$.3-.5 billion off of the budget (Hill 2001-06-24; Smith 2001-06-26).

Republican leaders insisted that the final budget bill would need to be changed in several ways to get their votes, especially wanting it to prevent the quarter-cent sales tax increase (Hill 2001-06-23, 2001-06-27, 2001-06-28). "This budget is dead on arrival," said Assemblyman George Runner, R-Lancaster (quoted in Hill 2001-06-24). Assembly Republican Leader Cox called it "a monstrous deficit-spending budget so irresponsible that it triggers a new \$1.2 billion [sales] tax increase to fund itself" (quoted in Hill 2001-06-27). Assembly Speaker Hertzberg said Democrats would not concede to their demand for the sales tax cut. Conference Committee Chairman Cardenas said that keeping off the quarter-cent tax "is a \$1.2 billion hit on the budget of California and that's something that we just could not sustain" (quoted in Hill 2001-06-24). Assembly Democrats also argued that the trigger for the quarter-cent sales tax cut was intended only to provide temporary tax relief when the state's economy was growing, and that the quarter-cent increase would only amount to a cost of 6 cents per day for Californians (Hill 2001-06-28). Another area of disagreement was over the temporary use of gas tax revenues to fill the budget hole, even though they were supposed to be dedicated to transportation spending (Hill 2001-06-24); on this issue, Republicans offered to compromise on it if Democrats agreed to put a constitutional amendment before voters that would ensure that, in the future, all gas tax revenues would be used only for transportation spending.

On June 26th, urged on by Senate Republican leader Brulte, who said "we ought to kill this budget today" (quoted in Hill 2001-06-27), Senate Republicans blocked the passage of the budget on June 26th (Hill 2001-06-27). The vote was 26-to-14 (CSLC N.d.09), one short of

passage, as Democrats could not get a single Republican to join with them to reach the 2/3rds threshold (Hill 2001-06-27). The conference report was also blocked in the Assembly on a 50-to-29 vote, four votes short of passage (CSLC N.d.09). "The other party is literally trying to hold up the budget to rewrite the tax code," Assembly Leader Hertzberg said (quoted in Hill 2001-06-28). Davis told reporters that the sales tax issue is "just nonsense...It's not a tax increase" (Hill 2001-06-28)." He argued that under current law, the Department of Finance would determine in November if state reserves were high enough to trigger the sales tax reduction (above 4 percent of the general fund for two years in a row) (Hill 2001-06-28).

Unable to reach an agreement with Republican leaders, Democrats shifted to pursuing a strategy of "picking off Republicans one by one" (Hill 2001-06-26). On June 29th, Assembly Democrats tried to persuade Assembly Member Mike Briggs (R-Fresno) and other Republicans to vote for the budget by offering a temporary elimination of taxes on "agricultural machinery, propane, thoroughbred horses" and diesel fuel (the latter two tax breaks had earlier been proposed by Briggs) (Smith 2001-06-30). Nonetheless, Democrats still weren't able to get any Republicans to vote for the budget (Smith 2001-06-30); the second attempt to approve the conference report failed 49-to-27 (CSLC N.d.09). On June 30th, the Assembly stayed in session through the night and then into the morning of July 1st, but still did not reach a deal (Bee Capitol Bureau 2001-07-02; Hill 2001-07-01). The third vote on the conference report failed 50-to-27.

In the following week, according to Maxwell (2001-07-08), several big agricultural interest groups put pressure on Central Valley Republicans to vote for the budget, motivated by the \$35 million in agricultural tax cuts being offered by Assembly Democrats. Nonetheless, Assembly Member Briggs said he wouldn't vote for the budget without support from other Republicans: "I could easily go vote for the budget, but then I would lose all effectiveness in my

caucus...I would be ostracized. If I just say yes, then farmers will be punishing their only proponent in the caucus. I don't think they understand that” (quoted in Maxwell 2001-07-08). Republicans in both houses continued to focus on the quarter-cent sales tax issue. Meanwhile, Senate President Burton said he opposed the tax breaks being proposed by Assembly Democrats; instead, Senate Democrats indicated they would try to gain the single Republican vote they needed by offering additional spending on school districts, programs for senior citizens, or police departments (Maxwell 2001-07-08).

On July 9th, two Assembly members - Democrat Dean Florez (D-Shafter) and Briggs (R-Fresno) – suggested compromise plans that would delay the raise in the sales tax for three months, then reinstate it if revenues continued to fall (Sanders 2001-07-10). However, their two proposals differed on what to do for the following years: Florez wanted to change the trigger to something else (besides size of reserve), whereas Briggs wanted to phase out the quarter-cent tax altogether. Both Central Valley lawmakers also advocated for the agricultural tax relief package and for more spending on rural police departments. On the same day, Davis met with Republican leaders, though they did not discuss the compromise plans from Florez and Briggs (Walters 2001-07-10).

The next day, Davis made a new offer - to change the trigger for the sales tax increase (Yamamura 2001-07-11). However, Senate and Assembly Republicans held a meeting in which they rejected any compromise on the sales tax increase; according to Briggs, "the Republican caucus is steadfast - until the sales tax is gone, we're going to hold off" on voting for the budget (quoted in Yamamura 2001-07-11). On the 12th, Davis held a “Big Five” meeting with the legislative leadership - for the first time that year - but Republicans continued to hold their position on eliminating the sales tax increase, while Democrats continued to object that doing so

would require \$600 million in additional spending cuts (Yamamura 2001-07-12). However, according to Republicans and some Democrats, Davis was mostly uninvolved in the process, (Hill 2001-07-26). Later, some wondered if Davis was using delay to keep lawmakers around to vote for an unrelated plan to rescue SoCal Edison.

Democrats and officials from various parts of the government cooperated to put pressure on the select Assembly Republicans, which Smith (2001-07-17) characterized as a “brute force strategy”. Davis conducted telephone press conferences to make the case that both the budget delay and the proposed sales tax elimination would have horrible consequences for the state government (Walters 2001-07-10). The governor recruited education officials, police, and other officials to speak with local media from Assembly Republicans’ districts (Smith 2001-07-17). As another example, a small group of uniformed sheriffs from rural counties spoke in favor of the spending boost for rural sheriff agencies, then stood in the back of the Assembly during key votes on the budget (Smith 2001-07-17; Yamamura 2001-07-30). In addition to using outside pressure, Assembly Democrats continued to try to win the votes of these Republicans by proposing spending items and tax breaks catered to their districts (Sanders 2001-07-15; Smith 2001-07-17).

Meanwhile, the budget delay began to have consequences: it was preventing the state government from transferring \$91 million owed to local governments (Yamamura 2001-07-14). It also started preventing the state from paying hundreds of vendors, court-appointed lawyers, legislative staffers, and elected officials (Hill 2001-07-22, 2001-07-26; Sanders 2001-07-17; Yamamura 2001-07-14). Some local healthcare providers for seniors were running out of money due to the postponement of payments (Weaver Teichert 2001-07-19), and home caregiving programs were temporarily suspended (Hill 2001-07-26).

On the 13th, Assembly leaders met, while a Davis spokesman said the Governor was now willing to consider a repeal of the sales tax increase in a future year (Yamamura 2001-07-14). The next day, Assembly Democrats offered a package of tax breaks, grants to law enforcement, and other spending items favored by Republicans (Sanders 2001-07-15). SB-739 – previously a grant program for rural transit – was amended to be the main budget bill (CSLC 2001-07-14). After five hours of meetings and debate on the floor, Democrats gain two Republican votes for the budget bill – Anthony Pescetti (Rancho Cordova) and David Kelley (Idyllwild) - but still not enough to overcome the supermajority requirement (Sanders 2001-07-15; SB-739. 2001-2002. History).

Two days later, on July 16th, the Assembly finally passed the budget bill (now SB-739) with just enough votes (54) to adopt the urgency clause (SB-739. 2001-2002. History; 2001-07-17 Sanders). The four Republicans who voted for the budget were Briggs (Fresno), Kelley (Idyllwild), Dickerson (Redding) and Pescetti (Rancho Cordova) (Sanders 2001-07-17). Explaining their success, Assembly Leader Hertzberg said Democrats “made it clear this was the last offer” and that they would never agree to repeal the quarter-cent sales tax hike (quoted in Sanders 2001-07-17). Republican Assembly Leader Cox said it was a "bad budget" passed because of interest group pressure, but that his party wouldn't punish the four Republicans who voted for the budget (quoted in Sanders 2001-07-17). Jon Coupal, head of Howard Jarvis Taxpayers Association, argued that Pescetti "sold out" by voting to increase taxes, but Pescetti contended that the budget did not stipulate an increase in the sales tax (Waddell 2001-07-18).

Next, SB-739 was sent to the Senate for its approval (SB-739. 2001-2002. History). Nonetheless, for several days, the overall budget deal continued to be stalled in the Assembly (Hill 2001-07-20, 2001-07-21, 2001-07-26); even though the main budget bill had been passed,

Assembly Republicans who had voted for it opposed some of the budget trailer bills (Hill 2001-07-19, 2001-07-20). According to Hill (2001-07-26), Assembly Republicans had come under pressure from their districts and from media. Senate President Burton said his house would hold off on voting on the main budget bill until the Assembly passed all of the trailer bills in order to put pressure on Assembly Republicans (Hill 2001-07-19). On the 19th, Republicans united to block trailer bills to delay the gas tax transfer and to expand access to abortions (which was an incidental effect of a measure to expand the Healthy Families program) (Hill 2001-07-20). Afterwards, Democrats blocked a Republican proposal for \$150 million in tax cuts (mostly for business) and negotiations broke down (Hill 2001-07-21) and Republicans said they hoped to get a better deal in the Senate.

Over in the Senate, no Republicans would vote for the budget as-is, still insisting on the elimination of the automatic quarter-cent sales tax increase and voicing opposition to other elements of the budget (Hill 2001-07-22a). According to Walters (2001-07-17), there were three Senate Republicans who might potentially support the budget – Johannessen (Redding), McPherson (Santa Cruz), and Monteith (Modesto) – but all were “serving their last terms in the Senate and...have plans to run for other offices. None relishes facing GOP voters having voted for a budget that Republican leaders denounce as a \$1.1 billion tax increase.” Progress was made when one of these Republicans, Johannessen (R-Redding) said he would support the budget in exchange for several concessions (Hill 2001-07-22b). In negotiations with Davis and legislators, he had secured their agreement to change the trigger for the quarter-cent sales tax increase (from a 4% reserve to a 3% reserve), schedule a popular vote on a constitutional amendment to dedicate gas tax revenues to the transportation fund, and other spending items (Hill 2001-07-22b; Hill 2001-07-23). Johannessen explained that he was forced to agree to an "unfortunate" deal

because Assembly Republicans already had given in (quoted in Hill 2001-07-22b). Of the deal, he said "We got hundreds of millions of dollars...It's very substantial. But to be honest, it's one of the hardest votes I have made in my nine years here."

On July 21st, on a 28-to-11 vote, the Senate concurred in the Assembly's amendments to SB-739 and adopted the urgency clause so that the budget bill could immediately take effect (SB-739. 2001-2002. History). Johannessen was joined by Republican Sen Dick Monteith (R-Modesto) in voting to pass the main budget bill, but was the only Republican to vote for some of the trailer bills (Hill 2001-07-23, 2001-07-26). Johannessen held out through the night before he committed to voting for a trailer bill, the final piece of the budget package. Even though Burton disliked the targeted tax breaks added to the deal by the Assembly, they were kept in to ensure support from Republicans (Hill 2001-07-23). Next, the Assembly approved the trailer bills, sending the overall plan to the Governor for his signature. Assembly Republicans were persuaded by the concessions made in the Senate. Cox expressed general disapproval of the budget, but said the Republican strategy had led to "some gains" and they would resume their push for eliminating quarter-cent sales tax next year (quoted in Hill 2001-07-24).

On July 26th, the Governor approved the main budget bill after cutting more than \$5 million using line-item vetoes (SB-739. 2001-2002. History; Hill 2001-07-26). Davis used his line-item veto to cut all of Assembly Republican Leader Cox's requested items, which Cox saw as retaliation for his opposition to the budget (Hill 2001-07-27). On the other hand, Pescetti – a yes vote on the budget - had only a small cut to the spending items for his district. Upon signing the budget, Davis said "this was not an easy year," but that he was "proud of" the budget nonetheless for boosting education spending (quoted in Hill 2001-07-27); "The big winners in this budget are California schoolchildren", he said. Davis credited Sheriff Blanas (Sacramento

County) for leading the effort of county sheriffs to pressure Republicans to vote for the budget: “We probably would not be standing here today if Sheriff Blanas had not organized that effort,” he said (quoted in Yamamura 2001-07-30).

To summarize, the 2001-2002 budget process was stalled by partisan conflict over both the budget itself and the energy crisis. The energy crisis put the state in a precarious fiscal situation and Republicans blocked Democrats’ effort to urgently issue revenue bonds to cover the gap caused by the energy crisis. Separate from the crisis, worsening economic conditions pulled down the state’s revenues, and the sizable surplus projected in November became a small deficit by May (Hill 2001-05-10). As in the previous year, a major point of conflict was over a tax trigger already written into law – a quarter-cent sales tax increase that would occur if reserves fell below a particular level. Perhaps one reason this issue was particularly prone to contention was the nature of the trigger – the size of the state’s reserve is determined both by revenue and spending levels, so Republicans could plausibly argue that Democrats had designed a budget that would result in the trigger being pulled. On the other hand, Davis and Democrats could plausibly argue that the sales tax increase was not in the budget itself, that the sales tax had only been cut in the current year because the economy had been booming, and that worsening economic conditions warranted a return to the higher sales tax rate. Democrats were able to break the stalemate by offering concessions to specific Republicans and mobilizing interest groups to put pressure on these few Republicans to vote for the budget.

In contrast to the previous two years, the process was more contentious and resulted in nearly a month-long budget delay, largely because of the state’s fiscal condition *and* how Republicans reacted to it. Hill’s (2001-07-26) sources told him that the energy crisis, combined with the drop in state revenues, impeded progress on passing the budget. The energy crisis was

an unprecedented situation, and the burden it placed on the general fund complicated the process of crafting a budget. However, Republicans exacerbated the problem by preventing the state from urgently issuing bonds in May, and then insisted on preventing the sales tax from going back up even as the state's fiscal situation worsened. The supermajority requirement for budgets gave Republicans leverage, and the stalemate would've lasted longer had Democrats not been successful in picking off a few Republicans.

The four Assembly Republicans who voted for the budget were attacked by other Republicans and conservatives (both in the state and in the U.S. Capitol) (Masket 2009:2,126-127; Yamamura 2002-01-31; Sanders 2002-11-28), who labeled them "turncoats and tax-raisers" (Sanders 2002-11-28). At least two of them were punished in the subsequent year by facing primary challengers. Assembly member Mike Briggs ran for a seat in the House of Representatives and was defeated in the primary by Devin Nunes (Delsohn 2002-03-06; Masket 2009:2,126-7; Sanders 2002-11-28; Walters 2002-03-08,). The Howard Jarvis Taxpayers Association (Hill 2001-12-26) and Fresno-area conservative organizations sought to defeat Briggs over his budget vote (Masket 2009:16). Masket (2008:16) adds that "conservative donors throughout the state chose to back the unknown candidate...rather than help a heretic" (Masket (2008:2). Masket (2009:196) adds that, later on, Briggs' vote for the 2001 budget "likely prevented him from winning back his old assembly seat in 2004."

Like Briggs, Assembly Republican Richard Dickerson faced a challenge in his 2002 run for a state Senate seat (which was opened up because its current occupant, Senator Johannessen, was termed out) (Masket 2009:2; Yamamura 2002-01-31). According to Yamamura (2002-01-31), Republicans had re-drawn his district to enable a different Assembly Republican to run against him, Sam Aanestad. Dickerson told the Sacramento Bee that his vote for the budget had

hurt his chances of winning, but still defended the decision. He lost the primary to Aanestad (Masket 2009:2; Sanders 2002-11-28; Walters 2002-03-08), who had received the support of most Republican legislators, the Howard Jarvis Taxpayers Association, and many local officials (Hill 2001-12-26; Masket 2009:2; Yamamura 2002-01-31).

The two other Assembly Republicans who voted for the budget – Kelley and Pescetti – may also have been punished for their votes, although the evidence is less clear. Kelley’s district was modified to exclude his home town (Idyllwild), meaning he would have to run in a different district (Claverie 2001-09-20). Masket (2009:2) says the change to Kelley’s district made it “hostile to him in what was otherwise a profoundly pro-incumbent redistricting.” For his part, Kelley said he didn’t “think his home town was purposely put in a different district for personal reasons but does think the overall redistricting process was manipulated by the Democratic Party” (Claverie 2001-09-20). Whether or not Republicans purposefully used the redistricting process to punish Kelley, the end result of the change was that Kelley decided to retire from office (Claverie 2001-09-20; Masket 2009:2; Yamamura 2002-01-31). As for Pescetti, his district was also redrawn (although not as severely as Kelley) and he decided to retire from his Assembly seat (Irby 2001-12-13; Sanders 2002-11-28; Yamamura 2002-01-31). In a press release, Pescetti explained that he chose to retire because of the redistricting and the fact that he could only serve one more term in office due to term limits, writing that “I think the voters deserve a fresh start with a new member that’s going to stick around for a while” (quoted in Irby 2001-12-13). According to Masket (2008:2), Pescetti also was “confronted with a serious primary challenger.” Nonetheless, Pescetti claimed that his decision not to run was unrelated to Republicans’ anger over his vote for the 2001 budget (Sanders 2002-11-28).

As for the Senators who voted for the budget, Monteith was challenged by a primary opponent (endorsed by the Howard Jarvis Taxpayers Association in his 2002 run for a seat in the House of Representatives (Delsohn 2002-03-06; Hill 2001-12-26; Miller 2001-09-18). He won the primary race (Delsohn 2002-03-06; Miller 2001-09-18), but was then defeated by the Democratic candidate in the general election (Yamamura 2002-11-06). Johannessen decided to not run for another office in 2002 (Davis Enterprise 2001-10-28, so he didn't face a primary challenge. He would, however, be punished in another way in 2002, as described in the subsequent section (Hill 2002-07-02).

The 2002-2003 Budget Process

The state's fiscal condition was dire going into 2002. An economic slowdown was pulling down the state's revenues, and the September 11th attacks further worsened the revenue shortfall (Hill 2001-09-27, 2001-10-03; Walters 2001-12-17). In October 2001, Davis had responded to the grim fiscal outlook by instructing state agencies to propose 15% cuts to their budgets in advance of the next year's state budget process (with the exception of public safety and firefighters) (Hill 2001-10-12). Later in the month, he met with legislative leaders to warn that the deficit would be at least \$8 billion for the upcoming fiscal year, and could be as large as \$14 billion (Hill and Bazar 2001-02-25). Senate President Burton said tax and other revenue increases should be on the table, whereas Assembly Republican leader Cox said his caucus opposed tax increases, while also wanting to spare education and law enforcement from cuts.

The LAO's annual Fiscal Outlook report, released in November, pegged the deficit for the upcoming fiscal year at \$12.4 billion (LAO 2001). Legislative Analyst Hill, appearing before an Assembly committee in November, told lawmakers that the deficit would likely require huge

spending cuts (Hill 2001-11-09). About a week later, Davis ordered an immediate spending freeze totaling \$2 billion and affecting most state agencies and programs, which would require legislative approval once they re-convened (Hill 2001-11-15).

On January 8th, 2002, Davis gave his annual State of the State address, in which he told the audience that he would deal with the budget deficit through "cutbacks, deferred spending, internal borrowing and accelerated revenue" (quoted in Claverie 2002-01-09). In the speech, he did not actively support tax increases, but also did not rule them out (Chance 2002-01-09). Davis also pledged not to "back away from our historic commitments to education, public safety, health care and economic growth" (quoted in Chance 2002-01-09).

Two days later, Davis unveiled his budget plan at a press conference, describing it as "balanced" and "responsible...it funds California's vital services and it does not require new taxes" (quoted in Hill 2002-01-11). He estimated that the state now faced a \$12.5 billion deficit, which was close to the LAO's estimate from November (California State Governor 2002a; LAO 2001; see Table 4.4, page 200). About 40% of Davis' proposed solution to this deficit consisted of spending cuts, including the spending freeze he'd introduced in November (California State Governor 2002a; Hill 2002-01-11; see Table 4.5, page 238). The cuts were especially large for health and welfare programs, while education programs were mostly spared (Hill 2002-01-10, 2002-01-11). About 45% of the proposed solutions consisted of loans and transfers, such as deferring payments to retirement funds for state workers and borrowing on future revenues (California State Governor 2002a; Hill 2002-01-11). The rest of the savings were expected to come from an increase in federal funding and from 'fund shifts', which meant using money from state bonds.

Table 4.5 - Governor's Proposed Solutions for Budget Deficit, January 2002 (in billions)	
Deficit without Budget Solutions¹	-\$12.502
Budget Solutions:	
Spending Cuts	\$5.226
Fund Shifts	\$0.586
Federal Funding Increases	\$1.066
Loans/Accelerations/Transfers	\$5.624
Source: California State Governor (2002a).	
¹ Value includes both the estimated deficit for the current fiscal year and the estimated deficit for the upcoming fiscal year. It also includes the allocation of money for the state's reserve fund.	

Senate President Burton labeled Davis' proposed cuts to social services "an outrage" (quoted in Hill 2002-01-11). On the other hand, Republicans criticized the borrowing that Davis wanted, and questioned several of the projections for revenues and spending (though they liked many of the proposed cuts) (Hill 2002-01-11, 2002-01-13; Yamamura 2002-01-04). Senate Republican leader Brulte claimed "this budget mortgages the future to pay for Davis' past spending excess" (quoted in Hill 2002-01-11). Legislative Analyst Hill also gave an unfavorable assessment of Davis' budget (Hill 2002-01-13). She said it likely overestimated revenue by \$3.3 billion and underestimated Proposition 98-mandated school spending by nearly \$1 billion. Moreover, she also complained that the plan "relies largely on one-time solutions", pushing off costs to future years (quoted in Hill 2002-01-13).

Already, other Democratic officials were advancing alternatives to Davis' solutions for closing the deficit (Walters 2002-01-04; Yamamura 2002-01-04, 2002-01-06). Unlike Davis, Senate President Burton wanted to enact tax increases for high earners, which he said would generate \$2.3 billion in revenue. Explaining his idea, Burton said he was "very determined that the entire burden of this deficit is not going to fall on the elderly, the blind or the disabled" (quoted in Yamamura 2002-01-04). The Democratic chairmen of the appropriations committees

in both houses introduced plans to raise the vehicle license fee back to its 1998 level, generating an estimated \$3.7 billion annually (Yamamura 2002-01-06). Democratic Treasurer Phil Angelides was also involved, backing a proposal for debt restructuring to save \$2 billion. Unsurprisingly, Republicans and anti-tax groups opposed the tax increases backed by Burton and the Democratic chairmen (Yamamura 2002-01-04, 2002-01-06). Brulte argued that the state's problem was "spending like drunken sailors", not a "lack of revenues" (quoted in Yamamura 2002-01-04). A Field Poll survey from early December showed that a majority of Californians, like Republicans, preferred budget cuts over tax increases (Smith 2001-12-28). However, when asked about specific areas, majorities opposed cuts in each of those areas. (A Field Institute Poll from July 2002 showed a similar absence of majority support for cuts in specific areas [Fletcher 02-07-10]).

Burton and other Democrats who were backing tax increases were in safe districts, while Davis was facing a tough re-election campaign (Chance 2002-01-09; Walters 2001-10-29). Burton seemed to indicate that he intended to use Davis' electoral insecurity as leverage (Chance 2002-01-09): "If he's up for election and doesn't want to raise taxes on the top 2 percent of the people, if he doesn't think somebody who's making \$5 million a year should pay an extra \$1,000 in taxes, that's his point of view. It ain't mine" (quoted in Chance 2002-01-09).

In January, budget bills were introduced in both houses of the legislature (CSL N.d.08; CSL N.d.27). Before working on the budget for the upcoming fiscal year, however, the legislature considered whether or not to approve Davis' \$2 billion spending freeze for the current fiscal year (Hill 2002-01-29). The Assembly and Senate budget committees, in an unusual joint meeting, voted in favor of the spending freeze, though they made some modifications to which

items were cut. On January 30th, both houses approved the current-year cuts, with the Assembly voting 66-to-6 and the Senate voting unanimously in support (Hill 2002-01-31).

While the budget bills were discussed in committee in February (CSL N.d.08; CSL N.d.27), the Legislative Analyst released her assessment of the Governor's budget, now estimating that the state would face a \$15 billion deficit, \$5 billion more than assumed in Davis' plan (Maxwell 2002-03-15). The budget committees continued their work through May (CSL N.d.08; CSL N.d.27). The California Federation of Teachers, the SEIU, Health Access Foundation, and various other advocacy groups put pressure on legislators to raise taxes in order to reduce spending cuts (Hill 2002-03-17). In early March, at the California Federation of Teachers' state convention, the president of the union called for tax increases to be part of budget solution (Louey 2002-03-09). The union also released a document outlining various options for raising revenues, such as cutting loopholes and restoring top income tax brackets.

In April, the Legislative Analyst informed legislators of falling tax revenues, \$4.5 billion less than expected (Hill 2002-04-23). According to Hill (2002-04-23), "The shortfall appears now to be the biggest the state has faced, although those in the early 1990s recession represented a bigger percentage of the budget." A few weeks later, Assembly Republicans proposed a constitutional amendment to cap non-education spending increases, with the cap pegged to growth in personal income (Hill 2002-05-14). Republicans blamed Davis for creating the budget deficit by spending too much, and refused to vote for tax increases or to suspend Proposition 98 (the school spending guarantee). Democrats countered by arguing that spending growth had been moderate under Davis and that Republicans' proposed constitutional spending cap would jeopardize public education.

On May 14th, Davis released his revised budget, now projecting that the budget shortfall would be a massive \$23.6 billion (California State Governor 2002b; Hill 2002-05-15). In response, he had shifted his position on tax increases from January; he now called for raising the vehicle license fee back to its 1998 level, and also for raising the cigarette tax (Table 4.6, page 242). Senate Republican leader Brulte came out against both tax increases and said Davis' plan to schedule the raises for after the upcoming 2002 election was "an act of political cowardice" (quoted in Hill 2002-05-15). Bill Simon, the Republican candidate running against Davis, said the current governor was making taxpayers pay the price for his "gross mismanagement that put the state in this position" (quoted in Hill 2002-05-15). (A Field Poll taken in April showed that nearly half of Californians, and a slim majority of registered voters, disapproved of Davis, but that he was still more popular than Simon [Yamamura 2002-05-06].)

On the other hand, Davis was criticized by social service advocates for the large spending cuts he proposed in his revised budget, and for not seeking more in new revenues to offset the need for cuts (Hill 2002-05-15; Rojas 2002-05-17). In contrast, education advocacy groups were mostly supportive of Davis' plan (Hardy 2002-05-15; Hill 2002-05-15); though they were unhappy with specific cuts, they were happy that the budget made far more limited cuts to education than to health and welfare programs. Legislative Analyst Hill offered a mostly positive appraisal of the revised budget (Hill 2002-05-17); she said Davis' plan was "credible," although it still overestimated tax revenues by \$600 million, and pushed some costs off to future years.

Deficit without Budget Solutions¹	-\$23.642
Budget Solutions:	
Program Reductions	\$7.597
Tobacco Settlement Securitization	\$4.500
Loans	\$1.729
Fund Shifts	\$1.327
Temporary VLF Offset Reduction	\$1.276
Net Operating Loss Deferral (2 year)	\$1.200
Deferral of Education Disbursements (1 month)	\$1.149
Debt Restructuring	\$1.083
Federal Funding Increases	\$1.081
Federal Tax Conformity/Tax Compliance	\$0.938
Other Accelerations and Transfers	\$0.734
Fund Transfers	\$0.553
Cigarette Tax Increase	\$0.475
Source: California State Governor (2002b).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

In late May, according to Walters (2002-05-28), Davis met with the two Republican leaders, Cox and Brulte, who rejected his budget plan. Davis then sent an e-mail to reporters criticizing the leaders for failing to present their own alternative. On May 28th, the Senate BFR committee voted 9-to-4 to send the budget bill to the floor, and the full Senate approved amendments (CSL N.d.27). However, the budget bill failed to receive the two-thirds support necessary to pass the bill (the vote was 25-to-14, two votes short) (Hill 2002-05-29; CSL N.d.27). Senate President Burton chose not to strip the bill of the urgency and appropriation clauses, which would have allowed it to pass with a simple majority (Hill 2002-05-29). Senator Peace made a motion to reconsider the bill, which was granted (CSL N.d.27). A second vote, on May 30th, also failed 25-to-14. Later in the day, Democrats in the Senate managed to gain the two additional votes to pass the bill with the urgency clause (CSL N.d.27). They persuaded

Brulte and Johannessen to vote yes by agreeing to recommend \$4.5 billion in further spending cuts (Hill 2002-05-31).

Meanwhile, in the Assembly, the Budget Committee voted for its version of the budget (18-to-11), and the full Assembly approved amendments to the bill (CSL N.d.08). Two days later, on May 30th, the Assembly passed the bill on a 49-to-28 vote, sending it to the Senate (CSL N.d.08; Hill 2002-05-31). The Senate followed suit, amending the bill, passing it on a 27-11 vote, and sending it back to the Assembly for concurrence. The Assembly refused to concur with the Senate's amendments, with almost all Assembly members voting no, and conference committee members were appointed from both houses (CSL N.d.08). The Senate and Assembly amendments to the budget, by eliminating some of Davis' proposed spending cuts, had left a budget hole of \$4.5 billion that the conference committee would have to deal with (Hill 2002-06-16). The conference committee was given permission to make changes to any part of the bill, and non-members of the committee were given permission to propose amendments (Hill 2002-06-30).

In early June, the conference committee heard proposals from legislators for both spending cuts and tax increases to deal with the remaining \$4.5 billion hole in the budget (Hill 2002-06-08, 2002-06-16). The committee spent the first two weeks of August approving numerous items, but by the middle of the month had yet to vote on taxes (Hill 2002-06-16). The Republicans on the committee complained that they had proposed more than \$4 billion in spending cuts, but that Democrats had rejected almost all of them. Assembly Republican Campbell said ""It sounds like it's going toward at least having the tax increases in the governor's budget, if not more" (quoted in Hill 2002-06-16). Both the Committee chair, Steve Peace, and Assembly member Oropeza argued that cuts alone wouldn't be sufficient (Hill 2002-06-08,

2002-06-18). However, Peace also floated the possibility that the committee would defer on taxes, instead having the revenue committees in both houses deal with the matter (Hill 2002-06-16). Further complicating the conference committee's work, Davis asked them to budget for a larger state reserve - \$1 billion as opposed to \$.5 billion - to ensure that the state could repay revenue anticipation warrants that needed to be issued (Hill 2002-06-18). Even if the committee approved the \$3.7 billion in tax hikes that Davis had proposed, they would still have been \$1.2 billion short of reaching this new goal of a \$1 billion reserve.

Outside of the conference committee, both houses attempted to take actions to relieve the budget shortfall (Hill 2002-06-26, Sanders and Hill 2002-06-21). In the Assembly, Democrats backed a bill to tap \$1.7 billion in unspent education funds to help cover the shortfall, but it was blocked by Republicans (falling 6 votes short of the two-thirds necessary) (Sanders and Hill 2002-06-21). This bill, SB 1830, had previously passed in the Senate on a unanimous yes vote, and was not opposed by the education lobby. However, Assembly Republicans refused to vote for the bill unless \$400 million was allotted in future budgets to equalize school funding across districts. Assembly member Oropeza accused Republicans of blocking the budget package as a means to influence the governor's race. There is some evidence that her accusation was correct, as Republican strategists had been advising Republicans to use budget gridlock to hurt Davis' re-election chances (Chance 2002-07-07; Walters 2002-06-04). In response to the failure of the bill in the Assembly, conference committee chairman Peace announced he was suspending the committee's work until the issue was resolved. Several days later, in the Senate, Democrats put forth a \$4.8 billion tax hike bill, but it fell one vote short of the supermajority requirement for taxes (Hill 2002-06-26).

Through June and July, Democrats, Republicans and various interest groups sought to put pressure on one another by influencing public opinion (Sanders 2002-07-28; Walters 2002-06-16). Davis enlisted state officials to speak in favor of his budget to the press (Hill 2002-07-02; Walters 2002-06-16), and a lobbying group called Citizens to Protect Our Schools, Health Care and Public Safety – reportedly backed by organized labor –ran radio ads to pressure several Assembly Republicans (Sanders 2002-07-28). Republicans held their own press conferences (Hill 2002-07-09; Walters 2002-06-16), and ran radio ads in the Central Valley to urge voters to push Democratic Assembly member Barbara Matthews to vote against the budget bill (which was unsuccessful) (Sanders 2002-07-28). Outside pressure came from a coalition consisting of more than 100 organizations, including the AARP, which called on Davis and legislature to raise income taxes on high-earners to spare further cuts (Hill 2002-06-18). Additionally, the California Professional Firefighters ran television ads in the Sacramento area to warn about the consequences of the budget delay (Sanders 2002-07-28).

As in the prior year, Democrats also pursued a horse-trading strategy to gain the votes of individual Republicans rather than negotiating with Republican leaders (Hill 2002-07-07). In the Senate, Democrats negotiated with Republican Senator Johannessen, who was termed out and had voted for the budget in the previous year (Hill 2002-06-26, 2002-06-29). In the Assembly, Democrats were also hoping to gain support for the budget from the Republicans who had voted for the budget in the previous year – Briggs, Dickerson, Kelley and Pescetti (Walters 2002-07-03, 2002-07-12). Briggs and Pescetti, however, signaled that they wouldn't break ranks this time around (Walters 2002-07-03). Pescetti was considering a future run for a state Senate seat, which may have influenced his decision. Briggs had recently lost his race for Congress to a

conservative challenger over his vote for the budget the previous year (Delsohn 2002-03-06; Masket 2009:2, 126-127, 196; Sanders 2002-11-28; Walters 2002-03-08).

Senator Johannessen was willing to compromise with Democrats on everything but the income tax increase on high-earners that they wanted (Hill 2002-06-26). Johannessen explicitly raised the possibility that he would trade his vote for "district augmentations", i.e., appropriations for his district (quoted in Hill 2002-06-27). He also disputed rumors that he had been offered an appointment to a state office in return for his vote. Besides Johannessen, other Senate Republicans continued to steadfastly oppose tax increases (Hill 2002-06-26): "This budget crisis is not the fault of taxpayers for not paying enough taxes...It is the fault of rampant waste and mismanagement practiced downstairs in [the governor's office]", said Senator McClintock (R-Simi Valley) (quoted in Hill 2002-06-26).

On June 25th, the Senate amended AB-425 to be the main budget bill (CSL N.d.13; CSLC 2002-06-24). In negotiations with Johannessen, Democrats agreed to scrap the income tax increase, make more cuts, and back off from cuts to rural law enforcement (Hill 2002-06-30). As a result, they were able to gain his vote to pass the new budget bill on June 29th (CSL N.d.13; Hill 2002-06-30). Johannessen defended his vote by saying "This is the best budget we could possibly put out" (quoted in Hill 2002-06-30). Compared to Davis' proposal, the Senate backed away from cuts to social services and relied more on increasing revenues, including temporarily doubling the vehicle license fee (Hill 2002-06-30). All Senate Republicans but Johannessen wrote a letter to Assembly Republican leader Cox to urge Assembly Republicans to block the budget. Several days later, Senate Republicans punished Johannessen by formally excluding him from their caucus meetings (Hill 2002-07-02). AB-425 was sent to the Assembly for its concurrence with the Senate's amendments (CSL N.d.13; Hill 2002-06-30). Assembly members

suspended Rule 77 so they didn't have to wait two days – until July 1st –to consider the bill. The Assembly refused to concur on a 49-to-26 vote, and Oropeza made a motion to reconsider the bill.

On July 1st, the start of the fiscal year, the Davis administration held a news conference with law enforcement officials who raised concerns about lack of funding (Hill 2002-07-02). Davis said that Republicans had squandered the opportunity to negotiate by failing to propose their own budget earlier in the process. "The hour is up," he asserted (quoted in Hill 2002-07-02). A Davis spokesman added that there would not be meetings between Davis and the Republican leaders (Hill 2002-07-03). Assembly Republicans defended their proposed spending cuts against Davis' labeling of them as "cotton candy" (Hill 2002-07-04). Around this time, Field Poll data showed that Davis's margin of support amongst likely voters over his Republican opponent, Bill Simon, had fallen by half since April, and a slim majority had an unfavorable view of the governor (Chance 2002-07-11).

The Assembly did not take formal action on the budget for the entire month of July (Hill 2002-07-02, 2002-07-09, 2002-07-11, 2002-07-19, 2002-07-23; Sacramento Bee 2002-07-08, 2002-08-03, 2002-08-04). It appears that Assembly Democrats and Republicans did not even meet until July 16th (Hill 2002-07-17). Instead, Democrats and Republicans held press conferences (Hill 2002-07-09), and Senate Republican Leader Brulte sought to press the Republicans' case by requesting a report from the LAO that projected that the state would face budget deficits for at least a half-decade (Hill 2002-07-11). Most Assembly Republicans also signed a letter to Davis insisting that he meet with the Republican leadership, but a Davis spokesman said there was nothing to negotiate over because the Republican plans were unrealistic (Hill 2002-07-12). In a radio interview, Davis said that Democrats had secured the

votes of two Assembly Republicans, but this was not confirmed by the Sacramento Bee. According to Walters (2002-07-12), the Administration had approached two Republicans – Harman and Maldonado – but both had refused to support the budget bill. In the second half of July, Democrats and Republicans held several meetings on the budget (Hill 2002-07-17, 2002-07-19; Sanders 2002-07-25, 2002-07-30). On one occasion in late July, Davis did actually meet with the Assembly leadership, but afterwards told reporters there had been only “a little progress” (quoted in Sanders 2002-07-26).

With the budget stalled, elected officials, executive branch employees, legislative staffers, and BoE members were unable to receive their paychecks, and state vendors also could not be compensated (Sanders 2002-07-06, 2002-07-25). Local governments were unable to get some funds (Sanders 2002-07-06, 2002-07-25), and payments to Medi-Cal started to slow in August (Sanders 2002-07-25). The budget delay also prevented the state from transferring \$10 million in federal funds to programs for elderly Californians, raising the possibility that these programs could run out of money (Teichert 2002-07-03).

The potential ramifications of the budget delay were complicated by a recent court ruling, in which the 2nd District Court of Appeals sided with the Howard Jarvis Taxpayers Association (Delsohn 2002-05-30). The court ruled that a previous decision, from a 1998 case, meant that state employees could only receive the federal minimum wage during budget delays. A lawyer for the HJTA explained that the goal of the lawsuit was to prevent state contractors from being denied payments while state employees continued to get paid under emergency appropriations bills. In late May, after the ruling was issued, State Controller Kathleen Connell had warned that 250,000 state employees were at risk for this temporary pay cut. The state government appealed this ruling to the State Supreme Court (Sanders 2002-07-28). Fortunately for state workers, in

August the state Supreme Court announced it would hear the case, which meant that, for the time being, state workers wouldn't have their pay reduced to the minimum wage (Hill 2002-08-15).

In early August, Assembly Speaker Wesson proposed an amendment to replace the VLF increase in the budget with a tax hike on cigarettes, and the Assembly voted 50-24 in favor of this amendment (Sanders 2002-08-07). This move may have been in response to a recent Field Poll that showed that the majority of Californians supported higher taxes on cigarettes and alcohol. Nonetheless, Republicans still insisted on spending cuts rather than any tax increases, and another vote on the budget failed on August 7th (Wiegand 2002-08-08). According to Walters, this vote in the Assembly was a "drill" to exert pressure on Republicans, with Democrats knowing in advance the votes would fail (Walters 2002-08-10). After this, the Assembly again suspended action on the budget for several weeks (Hill 2002-08-21; Sacramento Bee 2002-08-10, 2002-08-12, 2002-08-18).

In mid-August, state officials announced that Cal Grants would be delayed for 35,000 community college students (Hardy 2002-08-16). On the other hand, the CSU and UC systems had decided to cover the costs of postponed grants to their students. Additionally, state vendors (including small businesses) were going without compensation (Hill 2002-08-19). A range of state programs had been suspended (Hill 2002-08-22), and the state's 21 regional care centers for disabled Californians were running low on funding (Hill 2002-08-20). Near the end of the month, the State Controller said that, as of September 1st, the state wouldn't be able to make payments to care providers for disabled people or make Medi-Cal payments for abortions (Hill 2002-08-29).

Lawmakers of both parties held more press conferences to try to mobilize public pressure on the other side (Hill 2002-08-23; Walters 2002-08-13). Assembly Republicans announced a

bill to provide emergency funding for Cal-Grants, regional care centers for disabled people, and some state vendors. Davis and other Democrats were opposed to such a bill, arguing it would only prolong the budget delay and lead to deeper cuts (Hill 2002-08-23). Republicans sought to advance the bill in the Assembly, but Democrats “hijacked” it by replacing it with a different plan that provided indefinite funding for *all* state programs at current levels (Fletcher 2002-08-25).

Meanwhile, according to Walters (2002-08-23), Democratic leaders were in talks with freshman Assembly Republican Keith Richman to try to win his vote. On August 24th, Assembly Speaker Wesson met with the whole Republican caucus to propose a new deal, seeking to win their support with \$200 million more in spending cuts, a 1,000-person cut to the state work force, and a spending cap (Fletcher 2002-08-25). He then asked Republicans for a counteroffer. Two days later, Assembly Republicans held a press conference in which they turned down Wesson’s offer, but Republican leader Cox said that his caucus was not ready to present a counteroffer (Chance 2002-08-27). According to Walters (2002-08-28), fellow Republicans and anti-tax groups were pressuring Cox to hold the line against any tax increases. Wesson sought to show that Republicans’ insistence on \$3.7 billion in cuts was unreasonable by requesting a report from the LAO that could only come up with \$2.3 billion in possible spending cuts (Hill 2002-08-28).

Finally, on August 27th, with the end of the legislative session fast approaching (August 31st), a meeting between Assembly Democrats and Republicans led to some progress (Hill 2002-08-28). Republicans agreed to \$500 million in revenue-raising measures that were not tax increases. The members of the two parties also discussed a spending cap and debated the size of additional cuts, with Republicans still sticking to the \$3.7 billion figure. In private conversations, Republicans said they might agree to \$2 billion in revenue enhancements, while Democrats

signaled their willingness to make \$1 billion in further cuts and to include a spending cap (Hill 2002-08-31; Sanders 2002-08-30). Assembly Republican Leader Cox said that the breakthrough came because Democrats had finally agreed to negotiate with Republican leaders (Hill 2002-09-01). The two sides still disagreed about the proposed cigarette tax increase (Hill 2002-08-31; Sanders 2002-08-30), and in the end Democrats yielded to Republicans (Hill 2002-08-31). In the final deal, the budget package had no tax increases, a one-year spending cap, and put an amendment before voters to mandate funding for infrastructure (Hill 2002-09-01); the latter element was introduced by Republican Assembly member Keith Richman.

On August 31st, the Assembly finally concurred with the Senate's amendments and passed the budget bill on a 54-to-26 vote (AB 425. 2001-2002. History; Hill 2002-09-01). In the end, four Republicans joined with Democrats: Briggs, Dickerson, Kelley, and Richman (Hill 2002-09-01). Dickerson and Kelley had "been expected from the start to vote for the budget", while Briggs and Richman were persuaded during the final negotiations (Hill 2002-09-01). In contrast to the previous year, all four Republicans "had the approval of Republican leadership" (Hill 2002-09-01). The passage of the budget bill in the Assembly cleared the way for the Governor to sign it, which he did on September 5th (CSL N.d.13). Davis held a brief signing ceremony near his office, in contrast to previous years when he had celebrated the budget bill's enactment "flanked by children, union carpenters and veterans" (Hill 2002-09-06). With that, the state's longest budget delay to date – at 67 days – came to an end.

To summarize, the 2002-2003 budget process was characterized by strong partisan conflict over how to solve a gigantic \$23 billion deficit for the coming fiscal year (California State Governor 2002b; Hill 2002-05-15), followed by the near-total cessation of efforts to resolve the stalemate (Chance 2002-08-27) before an agreement came together right before the

end of the legislative session (Hill 2002-08-31, 2002-09-01). My theory of political decision-making offers a strong explanation for why this occurred. First, there were two veto points - the two-thirds rules for budgets and for taxes – that made it possible for a minority of legislators to stall the process. Second, Democrats were short of two-thirds of the seats in both the Assembly and the Senate, though they were only one vote short in the latter (Hill 2002-05-29; Wilson 2011). Third, Democrats and Republicans were ideologically divided, with the former favoring tax increases and wanting to minimize spending cuts (Hill 2002-05-15; Yamamura 2002-01-04, 2002-01-06), and the latter opposing tax increases and insisting on a spending cap (Hill 2002-05-14; Yamamura 2002-01-04, 2002-01-06). Due to these three factors, Assembly Republicans had both the incentives and the capacity to block the passage of the budget in order to force concessions – in this case, to prevent any tax increases and impose a one-year cap on state spending (Hill 2002-05-29; Hill 2002-08-31, 2002-09-01).

In addition to the explanation provided by my theory, I found two additional conditions that account for why the 2002 budget was *particularly severe*, the latest to date (Wilson 2011). These two conditions were the punishment of Republicans who had voted for the budget in the previous year, and the dire (and worsening) fiscal outlook. First, the punishment of Republicans who had voted for the budget made caucus members even more reluctant to support the 2002 budget. Democrats' strategy of trying to pick off Republican votes, rather than negotiate with the Republican leaders (Hill 2002-07-07), only worked with Senator Johannessen; it was a total failure in the Assembly. Johannessen was termed out (Yamamura 2002-01-31) and does not appear to have been running for a different office, so Republican lawmakers had little leverage over him, although they did retaliate by kicking him out of the caucus meetings. Johannessen may also have been offered an appointed position in exchange for his vote, as this was rumored

at the time and he was, fact, later appointed to the position of Secretary of Veteran Affairs by Davis, in late 2002 (Hill 2002-06-27; Talev 2002-12-18; Walters 2002-06-04).

The four Assembly Republicans who had voted for the 2001 budget, in contrast to Senator Johannessen, were not willing to buck the rest of their party, unlike in the previous year. As mentioned earlier, Briggs and Dickerson had been punished for their votes in the primary election and lost their races for the House of Representatives and state Senate, respectively (Delsohn 2002-03-06; Hill 2001-12-26; Masket 2009:2; Walters 2002-03-08; Yamamura 2002-01-31). Kelley and Pescetti had their districts redrawn extensively and had decided to retire, although this was not explicitly a punishment for their budget votes (Claverie 2001-09-20; Irby 2001:12-13; Masket 2009:2; Yamamura 2002-01-31). As mentioned earlier, Pescetti was thinking of running for a state Senate seat, so he may have wanted to avoid (once again) angering fellow Republicans with a yes vote on the budget bill (Walters 2002-07-03). The fates of these four Republicans were almost certainly a factor in Republicans' decision to vote against the earlier versions of the budget bill, using the supermajority rule to extract concessions from Democrats.

The second factor that accounts for the particular severity of the 2002 budget process was the gigantic deficit that was projected for 2002-2003 (California State Governor 2002b; Hill 2002-05-15). In 1999 the state had a small surplus, and in 2000 a substantial surplus (Capps 1999-05-08, 2000-05-16). With extra money to spend, Democrats could win Republican votes by offering large tax breaks and spending items favored by Republicans (Capps 1999-06-18, 1999-06-30, 2000-06-23). When economic conditions soured and the state swung from big surpluses to big deficits, the ability to cut a mutually satisfactory deal became incredibly difficult, given the ideological disagreement between the parties over taxes. Each dollar of proposed tax

increases that were blocked by Republicans meant an additional dollar of spending cuts, which legislative Democrats sought to minimize, or more borrowing. It shouldn't be surprising, then, that the bipartisan deal that brought the budget delay to an end relied on "revenue enhancements" and other gimmicks that temporarily brought in more revenue, or saved money, but did nothing to address the long-term fiscal outlook (Hill 2002-09-01, 2002-09-02).

The 2003-2004 Budget Process

Two conditions nearly guaranteed that the 2003 budget process would be as contentious as the previous year, if not more so: the unbelievably deepening budget deficit, and the reduced Democratic numbers in the legislature (Garrett 2002-11-16; Hill 2002-11-15; Sanders 2002-12-03). First, the state faced an even more massive projected deficit for the 2003-2004 fiscal year than it had for the previous year, though the LAO and Davis Administration disagreed quite a lot about its actual size (Hill 2002-11-15, 2002-12-19, 2003-01-16; Talev 2003-01-16; see Table 4.4, page 200). The LAO's November 2002 report projected that, absent any policy changes, the state would end FY 2002-2003 with a deficit of 21.1 billion, partially because of the reliance on one-time solutions in the current-year budget (Hill 2002-11-15; LAO 2002b). Davis told lawmakers that he expected the deficit to be considerably larger (Hill 2002-12-04; Walters 2002-11-24); in mid-December, he pegged the shortfall for the next 18 months at 34.6 billion, equal to nearly half of the general fund (Hill 2002-12-19; Sacramento Bee 2003-01-12). Later, Legislative Analyst Hill would dispute this figure, saying it was \$8.5 billion more than her office projected (Hill 2003-01-16). Republicans viewed the disagreement as evidence in support of

their suspicion that Davis was purposefully over-estimating the size of the deficit to justify tax hikes (Hill 2002-12-19, 2003-01-16; Talev 2003-01-16; Walters 2003-01-17).⁶

Second, the 2002 elections weakened the Democrats' position in the legislature because Republicans had gained two Assembly seats and one Senate seat (Garrett 2002-11-16; Hill 2002-11-15; Sanders 2002-12-03). This meant that Democrats now held 48 out of 80 seats in the Assembly and 25 out of 40 seats in the Senate, bringing them back to where they were in 1999 (Table 4.3, page 199). The enlarged Republican minority would make it even harder for Democrats to get the votes necessary for tax increases (Garrett 2002-11-16). Furthermore, according to Anthony Wright, head of the advocacy group Health Access, "There's now only one member of the minority party who's ever voted (in favor of) a budget" (quoted in Hill 2002-11-15). According to Chance (2003-01-09), the election also brought more liberal Democrats into the legislature, with a strong stance against cuts to social service programs.

In regards to increasing polarization, McGhee (2008:v) indicates that the 2001 redistricting played only a minor role. McGhee (2008:v-vi, 20-21) uses interest group ratings for legislators (the Chamber of Commerce, League of Conservation Voters and Planned Parenthood) and general party loyalty scores to examine differences in partisan voting patterns before and after the 2002 elections (when the redistricting went into effect). McGhee (2008:v-vi, 20-32) found that there was little change in partisan voting patterns after the redistricting. By comparing two points in time (the 1997-1998 legislature and 2005-2006 legislature) and examining trends in

⁶ The \$8.5 billion difference between Davis' and Hill's estimates was due to how baseline spending was calculated as well as their assumptions about the economic outlook (Hill 2003-01-06; Talev 2003-01-16). Davis' finance director, Steve Peace, characterized it as a technical issue, while Republicans pointed to the fact that the difference was about the same size as Davis' proposed tax increases (Talev 2003-01-16; Walters 2003-01-17). However, the LAO's February 2003 report said that the governor had only "somewhat overstated the budget problem" (LAO 2003a:5) and gave a generally positive assessment of his plan. Legislative Analyst Hill called the plan "credible and ambitious" (quoted in Bluth 2003-02-20). This suggests the difference between the Administration and LAO estimates of the deficit was primarily methodological in nature, not politically motivated (Bluth 2003-02-20).

party loyalty scores, McGhee (2008) found that partisan voting patterns had increased only slightly over the time period, and that there was no dramatic change following the redistricting. Thus, increasing partisan conflict over the budget (as seen in 2003) cannot be accounted for by the redistricting; the more plausible explanations, then, are the enlarged Republican minority and the increased pressure on Republicans to vote the party line on budget issues (Garrett 2002-11-16; Hill 2002-07-02, 2003-06-29; Hill and Fletcher 2003-06-05).

In December, Davis called for \$10.2 billion in spending cuts (and some borrowing) over the next 18 months, including an across-the-board cut to education spending (Hill 2002-12-07). Davis' proposal was criticized by social service advocacy groups and Democratic legislators, but praised by Republicans. Davis wanted the legislature to consider the package of cuts in December (Hill 2002-11-22), but neither house acted quickly on them (Hill 2002-12-10). Legislative Analyst Hill spoke before an Assembly hearing, telling legislators that the midyear across-the-board cut to school budgets (proposed by Davis) would be hard on schools, but that the Governor's cuts proposal as a whole was "credible" and a "good first step, given the magnitude of the problem" (quoted in Hill 2002-12-17). Also in December, in response to the huge deficit, S & P and Fitch lowered the state's credit rating (Bluth 2003-02-11; Kasler 2002-12-20), and an S&P analyst said that "serious cuts or revenue increases will have to be considered" (quoted in Kasler 2002-12-20).

In his inaugural address, Davis said that the "sheer magnitude" of the budget deficit "boggles the mind and threatens the unprecedented progress we have made together...we must tighten our belts without hardening our hearts, and to the extent possible protect our progress in public education, public safety and children's health insurance" (quoted in Talev 2003-01-07). A couple of days later, in his State of the State address, Davis said his budget plan will focus on

creating jobs while cutting spending "in nearly every program", but didn't give specifics on where he would make cuts (quoted in Chance 2003-01-09; Talev 2003-01-09). Davis also wanted the legislature to grant the Governor the authority to implement midyear spending cuts (Chance 2003-01-09; Talev 2003-01-09). After the speech, Democrats expressed resistance to cuts that would hurt the poor, and Senate President Burton firmly rejected Davis' proposal to give the governor authority to make midyear cuts: "Not in my lifetime" (quoted in Talev 2003-01-09; also see Chance 2003-01-09). Assembly Republican leader Cox, however, expressed support for the idea.

On January 10th, Davis released his budget plan, proposing to close the estimated \$34.6 billion deficit with \$20.7 billion in spending cuts and layoffs, \$8.7 billion in tax and fee increases, and \$4 billion in fund transfers and shifts, and \$1.5 billion in tribal gaming revenue (California State Governor 2003a; Hill 2003-01-11; see Table 4.7, page 258). The budget called for fee increases at all state schools, in addition to making a large cut to spending on community colleges (Hardy 2003-01-11). The budget also included a big cut to local government funding, set to begin in February, and coupled with the ending of state-to-local transfers that were put in place to make up for the cut to the vehicle license fee, i.e. the VLF "backfill" (Davita 2003-01-11). In addition to the cuts, the budget also proposed to increase taxes, as mentioned above (Hill 2003-01-10). Specifically, Davis wanted to raise taxes on high-income individuals, boost the sales tax by one-cent, and raise the tobacco tax (Hill 2003-01-10). According to Talev (2003-01-12), Davis' strategy was to win Republican support based on the cuts, while gaining Democrats' support with the income tax increase, while also trying to avoid offending business interests.

Table 4.7 - Governor's Proposed Solutions for Budget Deficit, January 2003 (in billions)

Deficit without Budget Solutions¹	-\$34.583
Budget Solutions:	
Spending Cuts	\$20.728
State - Local Realignment	\$8.154
Fund Shifts	\$1.903
Transfers/Other Revenue	\$2.114
Loans/Borrowing	\$1.683

Source: California State Governor (2003a).

¹ Value includes both the estimated deficit for the *current* fiscal year and the estimated deficit for the *upcoming* fiscal year. It also includes the allocation of money for the state's reserve fund.

Budget bills – AB-100 and SB-53 – were introduced in both houses in early January (CSL N.d.13; CSL N.d.30), but the legislature’s attention was focused on the midyear cuts that Davis sought, including ending the VLF backfill (Hill 2003-01-14, 2003-01-22, 2003-01-24; Sacramento Bee 2003-01-26). During January, local officials – including Oakland Mayor Jerry Brown - expressed their opposition to the proposed cancellation of the backfill, as well as cuts to local government funding (Davita 2003-01-11; Sacramento Bee 2003-01-26; Walters 2003-01-24). In response to local official’s outcry, the chairs of the budget committees – Chesbro and Oropeza – suggested raising the vehicle license fee back up (Hill 2003-01-14). Democratic leaders said they supported the idea (Hill and Talev 2003-01-15). By doing so, the state could end the backfill (saving money) without burdening local governments further.

Democrats also backed away from Davis’ massive cuts to other areas (Hill 2003-01-22, 2003-01-24; Rojas 2003-01-19). In mid-January, the Democratic Latino Caucus (consisting of more than a fifth of legislators) held a retreat to discuss their policy positions (Rojas 2003-01-19). At the end, they released a policy statement, committing themselves to defending "the poor,

aged and infirm [who] are the most vulnerable to the current frenzy of budget cuts" (quoted in Rojas 2003-01-19). Several days later, the budget committees in both houses rejected many of Davis' proposed midyear cuts to healthcare spending (Hill 2003-01-22, 2003-01-24). Both budget committees then put forth similar proposals for more limited mid-year cuts, to be considered by the full Assembly and Senate, respectively (Hill 2003-01-24; Sacramento Bee 2003-01-26). Davis criticized the budget committees, saying that "unfortunately, they didn't go nearly far enough...We are facing an unprecedented problem, and we won't solve it by nibbling around the edges" (quoted in Hill 2003-01-24).

On January 27th, the Assembly approved mid-year cuts as well as a bill to increase the vehicle license fee (Hill 2003-01-29). Republicans contended that the latter bill was not legal, in that Democrats had wrongfully designed the bill to prevent the issue from being challenged by voters through a referendum. Two days later, the Senate approved the cuts but held off on considering the VLF increase (Talev and Hill 2003-01-31). Senate President Burton signaled that the Senate would not oppose the VLF increase bill, saying that it was not worth an "argument" over "something [Assembly Democrats] feel very strongly about and something we don't" (quoted in Talev and Hill 2003-01-31).

In the meantime, Davis met with mayors, including Jerry Brown, and conceded afterwards that he was unlikely to get approval from the legislature for his proposed suspension of the VLF backfill (Bizjak 2003-01-30). The next day, Davis met with Democrat and Republican legislative leaders, reiterating that he disliked the idea of a VLF increase, but stopped short of saying he would veto it (Talev and Hill 2003-01-31). Several days later, Davis clarified that he would veto the VLF fee increase bill; however, he said that an automatic increase might occur in July (Hill 2003-02-05). Since the legislature had designed the spending cuts package to

be contingent on the VLF increase bill, all action on the budget situation was stalled by Davis' veto threat (Hill and Delsohn 2003-02-06).

California's fiscal outlook became more complicated over the course of February and March (Bluth 2003-02-11; Hill and Bluth 2003-02-08). Treasurer Angelides and Finance Director Peace traveled to New York to persuade bond credit-rating agencies that the state had a credible plan for addressing the huge deficit (Hill 2003-02-06). A few days later, Moody's lowered the state's credit rating (Bluth 2003-02-11). Back in California, Controller Steve Westly announced that he could not legally implement an increase in the vehicle license fee, putting him at odds with Davis' position that the VLF could automatically increase (Hill and Bluth 2003-02-08). Westly wrote a letter to Assembly Speaker Wesson to ask the legislature to clarify the 1998 law that implemented the VLF cut. A further complication was a document released by the Legislative Counsel's Office that asserted that Davis' proposed tax increases would be subject to the Proposition 98 requirement, forcing half of the new revenue to go to school spending rather than the general fund (Bluth 2003-02-26). (The Davis Administration contended that the Proposition 98 requirement could be avoided by having new revenues be dedicated to local spending [Bluth 2003-02-26]). Lastly, in early March, Controller Steve Westly warned about an upcoming cash shortage in June, saying the state would have to borrow \$4 to \$11 billion dollars, an increase of \$2-\$3 billion from the estimate he provided during the previous month (Sacramento Bee 2003-03-09).

In the second half of February, Republicans put forward their own plan for dealing with the budget hole (Bluth and Hill 2003-02-27; Sacramento Bee 2003-03-02). They suggested rolling over part of the deficit to the next fiscal year (Bluth 2003-02-17), and insisted that the budget get rid of regulations that they characterized as "job killers" (Sanders 2003-02-18). On

February 26th, Senate Republicans presented a plan for a 7% across-the-board cut to general fund spending and a rollover of part of the deficit, while rejecting Davis' proposed tax increases (Bluth and Hill 2003-02-27; Sacramento Bee 2003-03-02). Meanwhile, the Senate modified the spending cuts legislation so that it would not be contingent on the VLF increase bill, then passed the modified plan and sent it to the Assembly for approval (Bluth 2003-02-25). In early March, the Assembly budget committee approved the package of midyear spending cuts (Bluth 2003-03-04).

The following week, Controller Westly and Governor Davis worked out their disagreement over the automatic VLF increase (Bluth and Hill 2003-03-11). A joint legal opinion from Westly's office and the Department of Finance stated that, under current law, a cash shortage would trigger an automatic rise in the VLF. Republicans denounced the ruling and vowed to challenge it in court. The agreement cleared the way for the full Assembly to approve the midyear cuts, on March 10th (Bluth and Hill 2003-03-11; Walters 2003-03-12). According to Walters (2003-03-18), students held a big protest at the Capitol to oppose the cuts to education spending, but to no avail. On March 18th, Davis approved most of the cuts, though he vetoed a bill for the early-release of some inmates (Talev 2003-03-19).

After the approval of the midyear cuts, Legislative Analyst Hill claimed that the delay in approving them, as well as reductions in Davis' proposed cuts by the legislature, had worsened the current-year budget situation (Bluth 2003-03-26). At the same time, the Republicans' budget plan came under scrutiny when the Senate held a hearing "designed to dissect" their proposal, and state education officials emphasized the severity of the cuts that Republicans wanted. Legislative Analyst Hill's assessment was that the Republican plan spared local governments from some cuts proposed by Davis but made larger cuts in other areas.

Over the course of March, April, and May, interest groups, officials, and citizens also critiqued and mobilized against Davis' budget proposal (Delsohn 2003-03-29; Rojas 2003-05-08; Sacramento Bee 2003-03-30, 2003-04-13; Talev 2003-05-22). In March, the three largest public safety employee unions in the state - the California Highway Patrol union, Correctional Peace Officers Association, and firefighters' union - all voiced unwillingness to renegotiate their contracts with the state, as proposed by Davis (Delsohn 2003-03-29). The State Superintendent of Public Instruction, Jack O'Connell, denounced Davis' request for large cuts to education spending, and said taxes should be raised to minimize the cuts (Sacramento Bee 2003-03-30). According to Rojas (2003-05-08), mobilization against the cuts was greater than in previous years. For example, in April, 1,500 individuals marched at the Capitol to protest Davis' proposed cuts to services for the elderly and disabled people (Sacramento Bee 2003-04-13). In late May, a televised town hall at the Guild Theater in Oak Park was held to highlight the impact of the budget crisis on public education in the state (Talev 2003-05-22). The attitudes of the general public had also shifted; according to an April Field Poll, a majority of Californians now thought that higher taxes were necessary to solve the budget deficit, including a majority of Republicans (Hill 2003-04-22).

In the second half of April, the legislature worked on a second round of spending cuts. According to Walters' (2003-04-22) legislative sources, Assembly Speaker Wesson and Republican leader Cox negotiated over a deal to approve up to \$5 billion in spending cuts and loans, ahead of a May 5th deadline to approve borrowing for the upcoming fiscal year. The May 5th deadline was necessary because finance officials said it would take five months to implement the borrowing and thereby acquire the loans. On May 23rd, Assembly Democrats presented a deal to Republicans that offered \$2.5 billion in cuts to gain their support for borrowing to pay pension

funds to help fill the budget hole (Bluth 2003-04-24). Assembly Speaker Wesson pushed hard to reach an agreement with Republicans before May 5th (Bluth 2003-04-30).

At the end of April, Assembly Republicans presented their own alternative budget plan, which differed from Davis' budget proposal by excluding tax and fee increases, instead relying on deeper spending cuts and more borrowing (Bluth 2003-04-30; also see Walters 2003-04-30). Democrats said the Republican plan was not feasible (Bluth 2003-04-30). Nonetheless, they did manage to cut a deal on the package of spending cuts and borrowing (Bluth 2003-05-01; Sacramento Bee 2003-05-04). On May 1st, the legislature sent Davis the package of bills that would reduce the deficit by \$3.7 billion (Bluth 2003-05-02). On the 5th, Davis signed the bills, just in time for the state to sell the bonds to cover contributions to pension funds in the upcoming fiscal year (Bluth 2003-05-06).

In mid-May, the Governor released his revised budget proposal, which said that the state's deficit had grown to an astounding \$38.2 billion (Bluth 2003-05-14; California State Governor 2003b). This meant that California was facing "its worst budget crisis since the Great Depression" (Bluth 2003-06-15). The May Revision differed substantially from Davis' original January plan (Bluth 2003-05-13, 2003-05-14; Davita 2003-05-13; see Table 4.8, page 264). Davis incorporated Republicans' idea for rolling over part of the deficit, proposing to sell \$10.7 billion in deficit bonds to be paid off over the next five years (Bluth 2003-05-13, 2003-05-14). In response to opposition from local officials and state legislators, Davis greatly scaled back his realignment plan (Bluth 2003-05-13; Davita 2003-05-13). Davis also scaled back spending cuts (Bluth 2003-05-13). Finally, the budget now included the assumption that an increase in the VLF would be automatically triggered sometime within the next year (Bluth 2003-05-13). Banks and financial analysts said that the governor's revised plan was "credible, but warned it lacks

insurance that the state won't burrow deeper into a budget hole in future years" (Bluth 2003-05-16). Legislative Analyst Hill characterized the Governor's revised budget as "precariously balanced" and called on legislators to make permanent spending cuts or tax increases (Bluth 2003-05-20).

Table 4.8 - Governor's Proposed Solutions for Budget Deficit, May 2003 (in billions)	
Deficit without Budget Solutions¹	-\$38.198
Budget Solutions:	
Cuts/Savings	\$18.875
Realignments	\$1.732
Fund Shifts	\$2.076
Transfers	\$1.913
Loans/Borrowing	\$2.902
Deficit Financing	\$10.700
Source: California State Governor (2003b).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

In the last week of May, the budget committees in both houses rejected millions of dollars of cuts to health programs that Davis had proposed for the 2003-04 budget (Bluth 2003-05-28; Sacramento Bee 2003-06-01). On May 27th, the Assembly Budget Committee approved the main budget bill, AB-100, and it was amended by the Full Assembly (CSL N.d.13). Two days later, in the Senate, the Budget and Fiscal Review committee approved its version of the budget bill, SB-53, and the floor approved amendments (CSL N.d.30). On June 2nd, the Senate passed this "shell of a budget bill" on strictly party lines after Democrats stripped out components that would require a two-thirds vote (Bluth 2003-06-03; CSL N.d.30). The Assembly followed suit, sending the bill to conference committee (Sacramento Bee 2003-06-08).

At a party meeting, Senate Republican Leader Brulte warned fellow Republicans that he would campaign against any of them who voted for tax increases (Hill and Fletcher 2003-06-05; Masket 2009:2). The head of the national anti-tax organization the Club for Growth also warned the Republican caucus that “there would be knives out for any...who would agree to raise taxes and vote with Gray Davis” (quoted in Masket 2009:2). Only a single Republican, Assemblyman Keith Richman (Northridge), was willing to consider supporting tax increases as part of the budget bill (Vogel, Pasco, and Martin 2003-06-25).

Davis sought to push the legislature to quickly pass a budget for the upcoming fiscal year (Bluth 2003-06-09, 2003-06-11). Davis was under increasing pressure to secure a budget deal since he was facing a campaign to have a popular vote on whether to recall him from office (Talev 2003-06-16, 2003-07-15). The campaign was being financed by Darrell Issa, a Republican congressman, who was also trying to gain the Republican Party’s support for his candidacy (Talev 2003-06-16). Issa’s campaign against the Governor focused on the massive \$38.2 billion deficit. Davis was also generally unpopular with voters (Bluth 2003-07-15; Smith 2003-06-23); a PPIC poll from June showed that Davis' approval rating was at 21 percent amongst likely voters (Smith 2003-06-23). In July, a Field Poll survey showed that both the Governor and legislature had very low approval ratings (Bluth 2003-07-15).

On June 10th Davis met with the legislative leadership, but Senate President Burton walked out after only 15 minutes, saying that “I just don’t think talking, talking, talking is going to do it anymore” (quoted in Bluth 2003-06-11). In "the reportedly rancorous meeting", tax increases were the main point of contention (Bluth 2003-06-11). Meanwhile, a coalition of education advocacy groups allied with Davis ran ads across the state, and mailed out flyers, to try

to mobilize voters to contact their representatives (Bluth 2003-06-09, 2003-06-10). In the campaign, they also advocated for tax increases.

The immediate fiscal crisis was lessened in early June when state officials secured an \$1 billion low-interest loan (Bluth 2003-06-12). State officials had been negotiating with investors for several weeks to get the loan to prevent the state from running out of money (Bluth 2003-06-12; Sacramento Bee 2003-05-25). The loan would allow the state to continue its operations through August. Later in June, Department of Finance moved to raise the vehicle license fee (Bluth 2003-06-19, 2003-06-21). Department of Finance officials determined that the state had insufficient funds, so they “pulled the trigger” to increase the VLF for at least a year (Bluth 2003-06-21). The decision appears to have intensified public support for Davis’ recall (Bluth 2003-07-15), which was now favored 51-43 amongst likely voters in a July Field Poll (Talev 2003-07-16). Two-thirds of voters also said that the Governor had increased the VLF “without justification” (Bluth 2003-07-15). However, the poll found that 19% of likely voters said they would be less inclined to vote for his recall if there was a "satisfactory state budget in the next few weeks” (Talev 2003-07-16).

Returning to the budget process, in June the conference committee worked through disagreements between the houses on minor elements of the budget while the leaders met to discuss major issues (Bluth 2003-06-11; Sacramento Bee 2003-06-15). They completed their work on June 15th (Sacramento Bee 2003-06-15). A couple days later, two Assembly members – Republican Keith Richman (Northridge) and Democrat Joe Canciamilla (Pittsburg) presented a plan that would make large spending cuts but also temporarily increase the sales tax (Hill 2003-06-18). Previously, the two had been working with a group of other lawmakers to come up with

a bipartisan plan, but they did not receive the backing of the full group for the plan they introduced.

On June 24th, Senate Democrats presented a compromise on taxes, dropping their proposal for tax increases on high-earners and cigarettes, but keeping the sales tax increase (Bluth 2003-06-25). Their bill was defeated on a party-line vote. Senate President Burton said Democrats would continue to insist on tax increases rather than further spending cuts (Walters 2003-06-25). “These are core values...This is where we're at, and this is where we're going to stay. ... This is where we're drawing the line”, Burton said (quoted in Walters 2003-06-25). Two days later, on June 26th, Senate Republicans announced that they would present an array of spending cuts to be considered by the Senate (Bluth 2003-06-27).

Meanwhile, Assembly Democrats returned from a two-day trip around the state to promote their plan to local officials and, simultaneously, put pressure on Republican lawmakers to vote for the budget (Vogel et al. 2006-06-26; Bluth 2003-06-27). When they returned from the trip on the 26th (Bluth 2003-06-27), Assembly Speaker Wesson indicated he would hold a vote on a plan with additional spending cuts, and a rollover of the deficit, but also with tax increases on high-income individuals and a half-cent sales tax increase. Wesson met with fellow Democrats to convince them to back the deal.

On the 27th, AB-100 was amended by the Assembly, but Assembly Republicans rejected the Democrats' offer, and the bill only got 47 votes (Bluth 2003-06-28; CSL N.d.13). The Assembly also amended SB-1041, originally a budget implementation act, to be the main budget bill (CSL N.d.22; CSLC 2003-02-27, 2003-06-27): This bill was also voted down, with 0 Assembly members voting yes (Bluth 2003-06-28; CSL N.d.22). After the votes, Democrats challenged Republicans to come up with their own plan (Bluth 2003-06-28).

On June 30th, Assembly Republicans presented their own budget plan, without tax increases (Hill and Bluth 2003-07-01). On July 6th, the Assembly amended SB-1043, originally a budget implementation bill for social services, to be the Republicans' budget plan (CSL N.d.23; CSLC 2003-02-27, 2003-07-06; Hill 2003-07-07). This bill failed on a 27-to-45 vote (CSL N.d.23). The following week, Assembly Republican leader Cox held a press conference, in which he said Democrats and Republicans were getting close to a deal (Hill 2003-07-08). One component was a "tax swap" (Hill 2003-07-10). This consisted of a complex plan to reduce the amount of the sales tax allotted to local governments, shifting it to the state government to pay off bonds (Hill 2003-07-08, 2003-07-10). Then local governments would be compensated for the loss of sales tax revenue by shifting some property tax revenue from schools to local governments.

Only July 9th, legislative leaders met with the Governor to discuss the tax swap plan and other issues (Hill 2003-07-10). The following day, Senate Republicans released an extensive list of amendments to the budget they wanted to be considered (Hill 2003-07-11). Unsurprisingly, the next week the Senate voted against the Republicans' plan on a 26-13 vote (Bluth 2003-07-16). One Republican – Senator McClintock – voted against the plan because it accepted the vehicle license fee increase that the Davis Administration made in the previous month. Another Republican, Senator Denham (Salinas), abstained because of his opposition to cutting education spending. In the second half of July, Senate President Burton and Republican leader Brulte met to work on a compromise plan that would exclude tax increases and make up for the difference by increasing the amount of borrowing (Bluth 2003-07-23, 2003-07-24). On July 23rd, in the Senate, lawmakers amended AB-1765 (a budget implementation bill) to be a new version of the budget bill (CSLC 2003-03-11, 2003-07-23).

While the budget continued to be stalled in both houses, Moody's and S&P warned that the state's credit rating would be downgraded if a satisfactory budget deal was not reached in the next several months (Hill 2003-07-03). Additionally, Lehman Brothers warned state officials that the state wouldn't be able to "sell revenue anticipation notes - a critical short-term supply of cash - if a budget is not in place by July 15 (Hill 2003-07-03)." Another looming risk was that, without a budget, state workers would have their pay temporarily cut to the federal minimum wage after June 30th (Bluth 2003-06-26; Hill and Cooper 2003-05-02; Minugh 2003-06-14; Smith 2003-05-02). The state Supreme Court had recently ruled, in a case mentioned in the previous section ("The 2002-2003 Budget Process"), that state employees were only entitled to the minimum wage in the absence of a budget act (Hill and Cooper 2003-05-02; Smith 2003-05-02).⁷

The budget gridlock was also having immediate negative consequences (Sacramento Bee 2003-07-11; Wiener 2003-07-11). Vendors couldn't be paid (Bluth 2003-06-26), and 200,000 students could not receive Cal Grant checks (Maxwell 2003-07-22).⁸ The delay also prevented funding for highway projects (Sacramento Bee 2003-07-11), though the suspension of the projects was averted because Caltrans was able to secure emergency agreements to keep the projects going for a short period (Bizjak 2003-07-19). The negative effects were worsened by the recent state Supreme Court ruling (Jarvis vs. Westly), which expanded the list of expenses that could not be made during budget impasses (Bluth 2003-06-26; Wiener 2003-07-11): Now, K-12 schools would have their funding cut (Bluth 2003-06-26); community colleges would lose all of

⁷ In late June, Controller Westly determined that state workers were, instead, entitled to the state minimum wage (\$6.75 an hour) as opposed to the federal minimum wage (\$5.15 an hour), though still a large pay cut (Kasler 2003-07-01). The potential hardship on state employees was mitigated by the fact that many banks decided to offer no-interest loans to state workers (Kalb 2003-07-14).

⁸ As in the previous year, the burden on many students was alleviated because UC and CSU administrators agreed to temporarily cover the costs (Maxwell 2003-07-22).

the \$200 million they received in monthly state funding, a vital source of revenue (Bluth 2003-06-26; Wiener 2003-07-11); and 300,000 low-income families would not receive child-care subsidies (Wiener 2003-07-11).

On July 24th, several major events occurred in succession that pushed the budget process towards a resolution (Bluth 2003-07-25; Kasler 2003-07-25). First, it was officially announced that Davis would face a recall election in the fall (Bluth 2003-07-25). Second S&P announced that it had downgraded California's credit rating (Bluth 2003-07-25; Kasler 2003-07-25). Both announcements arguably increased the pressure on Democrats to cut a deal. Third, in the afternoon, Senate leaders said they had reached an agreement with Republicans (Bluth 2003-07-25). Senate Democrats gave in to Republicans' opposition to tax increases and insistence on further spending cuts, but put off over \$2 billion in cuts until the following year (Bluth 2003-07-25; Bluth and Sanders 2003-07-28). Republicans compromised on fee increases and on counting the revenue from the recent VLF increase. Finally, the complex 'tax swap' provided a means for paying off the billions in deficit bonds the state would issue (Bluth 2003-07-25). Legislative staffers rushed to draft the new bill, ahead of a vote scheduled for July 27th (Sanders 2003-07-26).

On July 27, Senators voted 27-to-10 to pass the new version of the budget (with the urgency clause), with 5 Republicans voting yes (Bluth and Sanders 2003-07-28; CSLC N.d.05). The leaders of both parties, Burton and Brulte, referred to the plan as "the best we can do" (quoted in Bluth and Sanders 2003-07-28). AB 1765 was sent to the Assembly for approval, and the Assembly suspended Rule 77 so it could consider the bill before July 30 (CSLC N.d.05).

Two days later, in the longest legislative session in state history, at over 29 hours, the Assembly finally passed the budget (CSLC N.d.05; Delsohn and Bluth 2003-07-30). Democratic

leaders secured votes from Republicans by adding in \$300 million in requested spending items, and persuaded two Democrats to vote with the rest of their party by promising to back a tax equalization bill (Delsohn and Bluth 2003-07-30). Then Assembly members concurred with the Senate's amendments on a 56-22 vote, with 45 Democrats and 11 Republicans voting yes (CSLC N.d.05). Wesson sought to get yes votes from as many Republicans as possible because, in his view, "this was a Republican budget. I wanted them to claim ownership" (quoted in Delsohn and Bluth 2003-07-30). According to Walters (2003-07-30), Davis and administration officials were involved in the effort to wrangle votes for the bill, as "getting some kind of budget deal" passed was "vital to his chances of surviving the recall."

On August 2nd, the budget was signed into law by the governor (Bluth 2003-08-03; CSLC N.d.05). He acknowledged that "this budget offers no reason for celebration," and blamed both the bad economy and Republican opposition for the budget's shortcomings (Bluth 2003-08-03). The budget had been enacted 33 days late (Wilson 2011) and left the state with an \$8 billion deficit in the next fiscal year (Delsohn and Bluth 2003-07-30; Kasler 2003-08-03). Three days later, in response, Moody's cut California's credit rating (Kasler 2003-08-05).

My general theory of political decision-making offers a convincing explanation for the budget gridlock in 2003. First, as in previous years, the supermajority rules for budgets and tax bills gave a minority of legislators the capacity to block budgets supported by the majority, which was exercised in both houses (Bluth 2003-06-25, 2003-06-28; CSLC N.d.02). Second, Democrats continued to be short of two-thirds of the seats in both houses and needed even more Republican votes for the budget than in the prior year (Bluth 2003-06-03; National Conference of State Legislatures 2011; Wilson 2011). Third, the two parties were even more polarized than in prior years (Chance 2003-01-09), disagreeing heavily over how to deal with the immense

budget shortfall (Bluth and Hill 2003-02-27; Chance 2003-01-09; Garrett 2002-11-16; Hill 2003-06-29; Vogel et al. 2006-06-26). In particular, Republicans were nearly unanimous in their unconditional opposition to tax increases (Vogel et al. 2006-06-26), a position reinforced by threats from the Senate Republican Leader and Club for Growth to punish any Republicans that broke ranks (Hill 2003-06-29; Hill and Fletcher 2003-06-05; Masket 2009:2). The combination of these factors gave Republicans more leverage and meant that Democrats' prior strategy of picking off individual Republicans was unlikely to succeed (Garrett 2002-11-16), but Democratic lawmakers were also highly resistant to acceding to Republicans' no-tax position (Bluth 2003-06-11; Walters 2003-06-25).

In addition to the conditions identified by my general theory of political decision-making, another factor - the unprecedented budget deficit - clearly contributed to budget gridlock in 2003 (Bluth 2003-06-15). The huge shortfall brought partisan ideological disagreements to the forefront, centered on the issue of tax increases, so it exacerbated partisan conflict over the budget (Bluth 2003-06-11; Bluth and Hill 2003-02-27, 2003-07-01; Rojas 2003-01-19). On the other hand, the influence of the recall campaign on the budget process is more ambiguous. Republicans probably stood to gain electorally from holding up the budget, as doing so might hurt the governor's re-election chances (Talev 2003-07-16). However, Republicans were ambivalent about the recall campaign itself (Talev 2003-06-15). Furthermore, in the end, the recall campaign may have shortened the duration of the budget delay; the recall campaign put pressure on Davis (and, indirectly, other Democrats) to cut a deal, giving up on increasing taxes (Walters 2003-07-30).

One more noteworthy deviation from my general theory of political decision-making is the relative ideological positions of the two parties in this conflict. Republicans were far less

willing to compromise on their key issue, opposition to tax increases, than Democrats were on compromising on their key priority – protecting social spending (Vogel et al. 2006-06-26). One reason for this asymmetry was the pressure exerted on Republicans by their leaders, the party base, and by interest groups. However, an additional factor was the particular character of conservative ideology at this moment, as illustrated by the rhetoric of Republican lawmakers (e.g., regulations were called "job killers" [Sanders 2003-02-18]). A limitation of my theory is that it doesn't address the real possibility that partisan polarization may be "*asymmetric*" (Mann and Ornstein 2013:51), as appears to be the case in this context.⁹

Conclusion

To recap the argument of this chapter, three broad conditions, in combination, made budget gridlock a likely outcome during Davis' governorship. First, there were supermajority requirements for passing budgets and raising taxes that gave the legislative minority the capacity to block the fiscal policies desired by the majority. Second, Republicans had enough seats in both houses of the legislature to take advantage of the supermajority rules, provided they remained unified, to extract concessions on fiscal policies (Table 4.3, page 199). Third, partisanship was highly aligned with social and ideological cleavages, both in the broader electorate and amongst elected officials.

However, these three factors were not sufficient to lead to budget gridlock, since Davis' first two budgets were enacted on time. I argued that the shift from on-time budgets to record-breaking gridlock was due to two additional conditions: the huge swing in the state's fiscal conditions, and the increasing polarization of lawmakers during the period of Davis'

⁹ See Mann and Ornstein (2013:xiv, 51-52, 102-103, 130-132, 184-197) for a discussion of *asymmetric polarization* on the national level in the United States.

governorship. In regards to the former, within just a couple of years the fiscal outlook changed from substantial surpluses to massive deficits, as shown partially by Table 4.4 (page 200). Since the summary data in Table 4.4 is incomplete, it is necessary to provide a more detailed description. For the 1999-2000 and 2000-2001 fiscal years, the fiscal outlook improved over the period between the passage of the budget (in June) and the LAO's budget estimate (November of the previous calendar year). Revenues exceeded expectations, especially in early 2000, which made it easier for both Democrats and Republicans to reach a mutually satisfactory (though fiscally irresponsible) compromise.

The windfall revenues were spent just before the energy crisis hit and the economy went into recession. The LAO projection for 2001-2002 (Table 4.4, page 200) is misleading as an indicator of the fiscal outlook for that year; the LAO's projected \$10 billion surplus (estimated in November 2000) disappeared as revenues fell, while the energy crisis also placed a large burden on the general fund. The data in Table 4.4 offers a more complete picture for 2002 and 2003: a worsening fiscal outlook during the course of both years, leading up to a gigantic projected deficit by May 2003. My narrative analyses indicate that this rapid change in fiscal conditions for the state government exacerbated partisan conflict; the solutions favored by Democrats were strongly opposed by Republicans, and vice versa, and Republicans took advantage of the supermajority rules to hold up budgets in order to exert disproportionate power over fiscal policies.

Nonetheless, the swing in fiscal conditions is not sufficient, in of itself, to account for the severe gridlock in Davis' later years in office. The budget situation was without question the worst in 2003, but the longest budget delay occurred in 2002 (Table 4.4, page 200). Furthermore,

the length of the budget delay in 2001 was not much less than the delay in 2003, even though fiscal conditions were far more severe in 2003 (Table 4.4, page 200).

The second condition that helps account for why budgets were on-time in 1999 and 2000, then late in 2001-2003, was the increase in partisan polarization during this period. This is indicated, indirectly, by Masket's (2009) data on partisan voting patterns, and is supported directly by my narrative analyses. As legislators retired, they were frequently replaced by more ideological members of the same party. Moreover, pressure was exerted on sitting Republican lawmakers to vote with the party on fiscal issues, lest they be punished. The actions by Republicans, the Howard Jarvis Taxpayers Association and other conservatives to impose consequences on (at least some) of the Republicans who had voted for the 2001 budget made it more difficult for Democrats to pick up Republican votes in subsequent years. Nonetheless, this shift does not explain why gridlock peaked in 2002, rather than in 2003, the final year of Davis' governorship. The most plausible explanation for this is rather idiosyncratic: Davis faced an unprecedented recall campaign in 2003, and thus Davis and Democratic lawmakers were highly motivated to conclude the budget process so as not to further damage Davis' popularity. In summary, while variation in budget gridlock is broadly accounted for by changes in structural conditions, the difference in the length of budget delays between 2002 and 2003 was influenced by the particular, highly unusual circumstances of the latter year.

Having discussed my explanation for variations in budget gridlock under Davis, I now turn to assessing the fit between my general theory of political decision-making and the particular findings of this chapter. My general theory fits well with the necessary conditions for budget delays under Davis. The three general conditions identified by my theory –multiple veto points, divided partisan control, and high partisan polarization – all were present in California

during Davis' governorship. The supermajority rules for passing budgets and raising taxes allowed legislative minorities to block the fiscal policies of the majority. The Republicans had enough seats in the Assembly and Senate to take advantage of these veto points. Democrats and Republicans differed substantially in their social backgrounds and ideological leanings, both in the broader electorate and in the legislature. In combination, these three factors encouraged partisan conflicts in which Republicans obstructed budgets (and related bills) to achieve policy goals and hurt Democrats electorally. However, my theory does not adequately account for the variations in budget gridlock during Davis' governorship. Increasing partisan polarization is part of the explanation for the shift from on-time budgets to lengthy delays during the Davis Years. However, as discussed in the prior paragraphs, the swing in fiscal conditions also mattered, as did the 2003 recall campaign against Davis. Neither fiscal conditions nor the particular circumstances of 2003 are predicted by my broader theory, but they are necessary elements for a complete explanation for the course of budget conflicts under Governor Davis.

I will conclude this chapter by addressing two alternative explanations for budget gridlock under Governor Davis: redistricting and term limits. First, the potential influence of redistricting on budget gridlock has been addressed by previous works (Buchler 2009; Jarvis 2009; McGhee 2008) and also came up several times in my narrative analysis. The main way in which redistricting is hypothesized to contribute to budget gridlock is the following: redistricting makes elections for seats in the legislature less competitive. As a result, legislators are under less electoral pressure to compromise. Jarvis (2009) argued that redistricting was one factor contributing to polarization, but does not provide solid evidence to support this claim. Buchler (2009) sought to rebut Jarvis (2009), but the evidence he provided for the redistricting effect came from U.S. congressional elections, so it does not necessarily apply to California's

legislature. McGhee (2008:v) provided a stronger evaluation of the influence of the 2000 redistricting on legislative polarization, comparing years before 2003 and after 2003, and reaches the conclusion that “the 2001 redistricting...had little effect on the way legislators vote on the bills that come before them in Sacramento.”

However, my narrative analyses suggest two alternate ways that redistricting may influence political gridlock. First, redistricting might have an anticipatory effect; that is to say, the redrawing of districts may influence legislators’ behavior before the plan actually is implemented. A couple of *Sacramento Bee* journalists suggested that legislators were more resistant to compromise in 2002 because the redistricting meant they were now at little or no risk of losing their re-election campaigns (Sanders 2002-07-28; Walters 2001-10-29, 2002-08-11). McGhee’s (2008) work, by comparing years before 2003 to years after 2003, may be missing this anticipatory effect of redistricting on legislative behavior. Unfortunately, my own narrative analysis does not provide evidence that would allow me to support or rule out this anticipatory effect.

A second alternate way that redistricting may have contributed to gridlock was as a mechanism for punishing legislators for crossing party lines; in turn, these punishments may have made individual legislators less willing to compromise without the backing of the party as a whole. Unfortunately, there are only a few potential ‘cases’ to assess this claim, since there were only six Republicans who voted for the budget in 2001 before the redistricting plan was finalized. For Assembly member Richard Dickerson, it does appear that Republicans tinkered with the Senate district he intended to run in to make it more difficult for him to win the election. For two others – Kelley and Pescetti – the evidence is highly suggestive that redistricting was used to punish them for crossing party lines, but there is no proof for this effect.

Beyond redistricting, another explanation for budget gridlock are the term limits that were imposed on California's legislature by Proposition 130 in 1990 (Cummins 2012). Cummins' (2012) statistical analysis of budget delays indicated that the effect of term limits – as measured by the percentage of Assembly members who were freshman – made budget delays more severe. Cummins (2012:29) argued that term limits exacerbate gridlock in the following way. Term limits prevent politicians from having long careers as state legislators, so they encourage politicians to focus on pursuing different positions. Legislators may be afraid to vote for budget compromises that might jeopardize their chances of winning a different position after they are termed out.

The evidence from my narrative analyses does not enable me to sufficiently assess the importance of term limits, but what I did find suggests that their effects on legislative behavior are more complex. Thinking of the four Assembly Republicans who crossed party lines in 2002, and then were subsequently punished, two were termed out and planning to run for other offices. In this particular instance, then, term limits did not have the expected effect. Furthermore, the potential effect of term limits is predicated on the assumption that legislators will be pursuing other offices after being termed out. This was not the case for Senator Johannessen, who twice spurned his party to vote for the budget, and was kicked out of caucus meetings for doing so. Johannessen was not planning to run for another office, so if anything the fact that he was termed out made Johannessen more willing to compromise (and his yes vote probably earned him an appointed position in Davis' administration). Thus, it is unclear if term limits, in the aggregate, made budget gridlock worse during the Davis years.

Chapter 5: Severe Gridlock under Schwarzenegger, 2004-2010

Under Governor Arnold Schwarzenegger, California's government repeatedly failed to produce on-time budgets. The budget gridlock that occurred during these years was exceptional, with three of the five latest budgets in California history (see Table 5.1, page 280). This period constituted the culmination of the decades-long trend towards more frequent and lengthier delays in passing the state budget, peaking with the record-late 2010 budget that was signed 99 days after the start of the fiscal year. The budget gridlock of these years forced the state government to postpone payments and issue IOUs to state vendors, local governments, and recipients of aid, to suspend public works projects, and to furlough state workers. The gridlock also contributed to the decisions of credit ratings agencies to downgrade California.

In this chapter, I seek to explain why California's government was crippled by severe budget gridlock between 2004 and 2010, especially during Schwarzenegger's second term. I describe and analyze narratives of the budget process for each fiscal year that occurred under Governor Schwarzenegger in terms of how various factors caused gridlock, and also compare the different budget processes to one another. Applying my theory of political decision-making, my argument is that a confluence of three main factors led to gridlock on the budget during 2004-2010: 1) the continued presence of veto points, 2) even more divided partisan control of the government than under Davis, and 3) increasing partisan polarization. Specifically, in the case of California, two veto points – the supermajority requirements to pass most spending bills and to raise taxes –required broad support from lawmakers in order to pass budgets. At the same time,

control of governmental institutions was divided between the parties – a Republican Governor and a Democratic majority in the legislature, but with Democrats short of the two-thirds needed to pass budgets without Republican votes (see Table 5.2, page 281). Furthermore, there was intensifying ideological polarization between Democrats and Republican officials, with the parties also (to a large extent) representing different interest groups and social groups. This clash between an institutional structure and pattern of partisan control, which necessitated bipartisan compromise, with a highly polarized political climate that was conducive to intense partisan conflict led to the record-breaking gridlock of this period.

Table 5.1 - Budget Gridlock during Schwarzenegger's Governorship (2004-2010)

Budget Year	Passed by Legislature	Signed by Governor	Days Late ^b
2004-2005	7/29/2004	7/31/2004	30
2005-2006	7/7/2005	7/11/2005	10
2006-2007	6/27/2006	6/30/2006	-1
2007-2008	8/21/2007	8/24/2007	54
2008-2009	9/16/2008	9/23/2008	84
2009-2010 Original ^a	2/19/2009	2/20/2009	- - -
Revision	7/23/2009	7/28/2009	27
2010-2011	10/8/2010	10/8/2010	99
Sources: California State Department of Finance (2015); Wilson (2011).			
^a The 2009-2010 budget act was enacted early, but worsening fiscal conditions required the government to enact a revised budget.			
^b Values indicate the number of days after July 1st, the start of the fiscal year, that the budget bill was signed into law by the governor. Negative values indicate that the budget bill was signed before the start of the fiscal year.			

To provide more details on how the confluence of factors led to intense gridlock, the combination of the 2/3rds rules and the distribution of partisan control of these veto points meant that because legislative Democrats did not have the 2/3rds votes necessary to bypass concerted obstruction by Republicans. Republicans were able to exert power to force Democrats to make

concessions just to obtain the few Republican votes needed to pass budgets. At the same time, increasing polarization made both Republicans and Democrats more resistant to compromise, and so Democrats were reluctant to concede to Republicans' proposals at the same time that Republicans were upping their demands (e.g., calling for even bigger spending cuts). Polarization in the legislature was likely facilitated by polarization in the broader electorate, and more obviously was driven by activists and party leaders that punished legislators who voted for budgets. Towards the end of the period, partisan polarization also increased due to Schwarzenegger's shift towards support for massive spending cuts as demanded by his party. In sum, the 2/3rds rules and divided partisan control provided the opportunities for Republicans to obstruct Democratic budgets; as the Republican Party shifted to the right, elected Republicans increasingly saw obstruction as a legitimate means to force Democrats to accept their preferred solution to the state's fiscal crisis – massive cuts in spending on social services.

Table 5.2 - Partisan Composition of the Legislature under Schwarzenegger (2004-2010)

Year	State Assembly			State Senate		
	Democrats	Republicans	Seats Short of 2/3rds	Democrats	Republicans	Seats Short of 2/3rds
2004	48	32	6	25	15	2
2005	48	32	6	25	15	2
2006	48	32	6	25	15	2
2007	48	32	6	25	15	2
2008	48	32	6	25	15	2
2009 ^a	51	29	3	25	15	2
2010 ^b	50	29	4	25	15	2

Sources: NCSL 2011; Wilson 2011.

Note: Numbers in the chart show the partisan composition at the start of the year.

^a Assembly member Juan Arambula was elected as a Democrat, but later changed his party affiliation to Independent.

^b One Assembly seat was occupied by an Independent.

My narrative analysis also shows that two other factors, not expected based on my theory, influenced the course of partisan conflicts and, in turn, the level of budget gridlock: state fiscal conditions and the relationship between the Republican Governor and legislators. Massive state deficits that appeared during much of Schwarzenegger's governorship tended to contribute to budget gridlock (see Table 5.3, page 283); budget deficits brought to the fore deep disagreements on appropriate levels of taxes and spending (and what kinds of spending) between Democrats and Republicans, exacerbating partisan conflict and, in particular, Republicans' resistance to compromise. However, this pattern does not hold for all of the years, as shown by Table 5.3; these instances will be discussed in more detail below. A second, but less important, factor I found in my narrative analyses was the relationship between the Governor and Republican legislators. On the one hand, souring relations between the Governor and his co-partisans weakened his ability to work with legislative leaders to forge budget compromises at key moments, while his later embrace of a hardline conservative position increased his influence with Republican legislators, but at the cost of exacerbating inter-party conflict. These shifts will be discussed in more detail below.

The analytic strategy that I take in this chapter (as described in more depth in Chapter 3) seeks to examine the influence of broader conditions (the number and location of veto points, the pattern of partisan control, and the extent of partisan polarization) on the interactions between actors who are seeking to influence, or are formally involved in, the budget-making process. An underlying assumption of my theory of political decision-making is that gridlock is the result of conflicts between actors, as opposed to consensual inaction or general inattention to the policymaking process. This assumption is well-substantiated by my narrative analyses of the budget processes during this time period. Beyond this, though, the approach applied here shows

how budget conflicts unfold, and how they lead to gridlock, by tracing them from beginning to end. In this way, the chapter sheds light on the interactional dynamics that intensified budget conflicts, which will be discussed in more detail in the substantive sections and conclusion.

**Table 5.3 - Projected Budget Deficits under Schwarzenegger
(in billions)¹**

Fiscal Year	LAO Estimate, November ²	Governor's Estimate, January ³	Governor's Estimate, May ³
2004-2005	-10.158	-16.2	-15.1
2005-2006	-6.68	-9.1	- - -
2006-2007	1.201	- - -	- - -
2007-2008	-2.411	- - -	-1.4
2008-2009	-9.79	-17.257	-17.234 ^a
2009-2010 ^b	-27.844	-41.56	-21.3 ^d
2010-2011	-20.728	-19.9	-19.1

Sources: California State Governor (2004a-2010b); California State Legislative Analyst's Office (2003, 2004b, 2005-2010).

¹ Positive values indicate a projected surplus, rather than a projected deficit.

² Each November (of the prior calendar year), the Legislative Analyst's Office estimates the size of the state's total budget deficit or surplus for the upcoming fiscal year. This estimate includes the value of the deficit/surplus from the current fiscal year.

³ Sometimes, governors' January budget proposals and May budget revisions provide estimates of the baseline budget deficit for the upcoming fiscal year (i.e., the budget deficit *without* any of the Governor's proposed budget solutions). These estimates include the deficit/surplus from the current fiscal year as well as the amount of money allocated to the state's reserve fund.

^a The figure indicates the remaining projected deficit *after* the legislature had already cut the deficit by \$7.043 since January 2008.

^b The original 2009-2010 budget act was signed into law on February 20th, 2009, before the Governor's may estimate. A revised budget act was signed into law on July 28th, 2009, after the Governor's may estimate.

^c Value indicates the remaining deficit after the enactment of the original 2009 budget act, due to deteriorating fiscal conditions. The estimate shown here is based on the assumption that voters *would not* approve several propositions on the May 19th ballot that would reduce the deficit.

The Partisan Context

In order to understand the political conflicts that led to budget gridlock under Governor Schwarzenegger, it is necessary to consider the extent of partisan polarization amongst the broader electorate. As discussed in the previous chapter, from the 1980s to the early 2000s the Democratic-Republican split had become increasingly aligned with social cleavages (race, class, and geography), as well as with the liberal-conservative split (Bowler, Nicholson and Segura (2005; Douzet and Miller 2008; Jacobson 2004; Korey and Lascher 2006). According to the Public Policy Institute of California [PPIC] (2004, 2008; Baldassare 2004a, 2008), Democratic and Republican voters increasingly diverged in their policy preferences during the early 2000s and remained highly divided through the rest of the decade.

Public Policy Institute of California (PPIC) results from February 2004 (very close to the start of Schwarzenegger's governorship) showed that "since the last presidential election, the views of Republicans and Democrats have experienced the political equivalent of plate tectonics, moving in opposite and extreme directions" (Baldassare 2004a). Comparing survey results from January 2000 to February 2004, the divide between registered Republicans and Democrats across a host of federal and state issues increased between 5-21 percent (PPIC 2004). For example, Democrats and Republicans became much more divided in their views of immigrants (PPIC 2004:16); in 2004, 59% of Democrats said immigrants benefited California, while only 34% of Republicans took the same position. This was an increase in the party divide of 11% compared with 2000. The party divide on support for strict environmental laws increased by 16%, while the party divide on government benefits for the poor increased by 14% (PPIC 2004:16-17).

According to PPIC surveys, ideological divisions between registered Democrats and Republicans persisted through (at least) 2008 (Baldassare 2008:9; PPIC 2008). On some policy

issues, the party divide widened considerably between 2004 and 2008 (PPIC 2008). For example, in February 2004, 61% of Democrats agreed that immigrants benefited California, while 32% of Republicans disagreed (Baldassare 2008:6; PPIC 2004). In a 2008 survey, the gap between partisans had widened by 9% (PPIC 2008). Additionally, a June 2007 poll, showed that 59% of Republicans said that immigrants were a *burden* (virtually the same proportion as Democrats who thought immigrants benefited the state, especially given the survey's margin of error) (Baldassare 2008:6). The partisan divide on support for universal health coverage, and support for measures to counter global warming, increased by 10% and 11%, respectively (PPIC 2008). It is also noteworthy that ideological *identification* by party, was not symmetrical (based on aggregated survey data from July 2006-July 2007; Baldassare 2008:5-6); amongst registered Democrats, only a bare majority – 52% - identified as liberals, and 17% actually identified as conservatives. In contrast, two-thirds of Republicans identified as conservatives, versus only 8% identifying as liberal.

The PPIC survey data from July 2006-July 2007 are also useful for understanding the extent to which the partisan division was aligned with social cleavages (Baldassare 2008:2-3). In the mid-2000s, the partisan division was most strongly aligned with the race/ethnicity cleavage; 84% of Republicans were white, whereas one in three Democrats were non-white. The difference in the proportion of African Americans amongst the party bases was particularly striking: blacks were 10% of Democrats, while comprising only 1% of Republicans. The parties were also differentiated in their bases in terms of gender (a 22% gap), renter status (a 10%), and income (a 7% gap for voters earning less than \$40,000 a year). The coastal-inland divide also persisted through the decade (Baldassare 2008:2; McGhee and Krimm 2012:2), although McGhee and

Krimm (2012:2) contend that the divide in the 2008 election was, more precisely, “Los Angeles County and the Bay Area against everywhere else.”

In summary, polling data indicate that California politics was sharply polarized during the Schwarzenegger years, more so than the Davis years, with Democrats and Republicans especially divided on taxes, social services and immigrants (Baldassare 2004a, 2008).

Furthermore, Democrats and Republicans differed in their demographic composition, especially in terms of race, but also in terms of gender, class, and region (Baldassare 2008:2-3; McGhee and Krimm 2012:2)¹. Based on my theory of political decision-making, I expect to find that a strong alignment between partisanship and social and ideological cleavages will exacerbate partisan conflict; I provide evidence in support of this claim in the analysis of budget conflicts below.

The 2004-2005 Budget Process

In 2004, Democrats continued to hold 48 out of 80 seats in the Assembly, 6 shy of a 2/3rds supermajority, and 25 out of 40 seats in the Senate, 2 seats short of 2/3rds (see Table 5.2, page 281). Thus, passing the budget would require Governor Schwarzenegger to compromise with the Democratic majority while also gaining votes from quite a few Republicans. California also faced a substantial deficit for the upcoming fiscal year - \$10.2 billion according to the Legislative Analyst’s Office’s (LAO) November 2003 projection, and \$14 billion according to the Governor’s January 2004 estimate (see Table 5.3, page 283; Hill 2004-01-10). According to Walters (March 21, 2004), Schwarzenegger had contributed to this \$14 billion deficit by

¹ Unfortunately, these works do not address the net effects of different social cleavages on voting – e.g., whether class influences voting *net of* race, gender, region, etc.

repealing an increase in vehicle license fees as his first act in office, which increased the size of the deficit by at least one-third (Walters 2004-03-21).

During his campaign, Schwarzenegger had promised not to raise taxes except in an emergency (Hill 2004-10-10). Reflecting this stance, his January budget plan was to close the deficit through a combination of across-the-board spending cuts, borrowing, and other “maneuvers” (Hill 2004-01-10; see Table 5.4). The governor’s proposal was introduced in both houses of the legislature in early January (California State Legislature [CSL] N.d.07, N.d.10). Republican legislators praised the Governor’s proposal, while Democrats and social service advocates criticized it for its spending cuts and (in their view) reliance on "shaky assumptions and temporary fixes" (Hill January 10, 2004). The governor was expecting "middle-class, lower-middle-class and poor people to bear all of the brunt of the problem", according to Assembly Speaker Herb Wesson (D-Culver City) (quoted in Hill 2004-01-10).

Table 5.4 - Governor's Proposed Solutions for Budget Deficit, January 2004 (in billions)	
Deficit without Budget Solutions¹	-\$16.234
Budget Solutions:	
Spending Cuts	\$5.939
Fund Shifts	\$1.085
Cost Avoidance	\$3.931
Economic Recovery Bonds	\$1.579
Debt Service Savings	\$1.256
Transfers/Other Revenue	\$1.247
Loans/Borrowing	\$0.249
Pension Reform Package	\$0.950
Source: California State Governor (2004a).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

The Governor's January budget proposal also angered cities and counties because it included a permanent transfer of 1.3 billion in property tax revenues from local governments to the state government (Hardy 2004-01-10). Legislative Analyst Elizabeth Hill critiqued the assumptions of the governor's budget, claiming that the budget would result in the state facing a \$6 billion deficit in the 2005-2006 fiscal year (Hill 2004-01-14). Hill urged the governor and legislature to include tax increases as part of the solution.

A key component of the governor's budget plan was a \$15 billion bond measure to be approved by voters in a March ballot initiative to cover part of the state's debt (Hill 2004-02-15; Kasler 2004-01-10). After first resisting, Democrats in the legislature had agreed (in December 2003) to place two propositions on the ballot (Hill 2004-02-15). Proposition 57 asked voters to allow the state to borrow \$15 billion to refinance the state's debt, while Proposition 58 would require the government to balance the budget each year, limit future borrowing, and create a rainy-day reserve fund. Schwarzenegger's Finance Director, Donna Arduin, warned that the state would be forced to make billions in additional cuts if the bond measure failed (Bluth 2004-01-30). Thus, voters were actively drawn into the 2004-2005 budget process.

In early 2004, Schwarzenegger campaigned around the state to support his bond measure and balanced budget amendment (Bluth 2004-01-30). In the Central Valley he was accompanied by a bipartisan group of politicians and interest group leaders to show their support (Smith 2004-02-29). Although the bond measure initially trailed in the polls, Schwarzenegger's well-funded campaign was effective in convincing the majority of voters to support both of his propositions on the March 2nd ballot (Delsohn 2004-03-03; Weintraub 2004-03-03). The passage of the bond measure relieved the legislature from taking drastic actions to pay off the state's accumulated debt. However, it did nothing to reduce the projected \$15 billion deficit in the upcoming fiscal

year (Weintraub 2004-03-03). Thus, the legislature and Governor still faced a difficult task in crafting the 2004-2005 budget.

The newly chosen Speaker of the Assembly, Fabian Nunez, signaled a commitment to working with the Governor and Republicans to pass a balanced budget on time (Sanders 2004-02-10). After being sworn in on February 10th, Nunez told a reporter that tax increases were on the table as an option for closing the deficit. However, Nunez also said that the recall election had been a “wake-up call” and that the “new Democratic agenda is one that doesn't necessarily call for raising taxes” (quoted in Bluth 2004-02-13). Thus, Nunez presented himself as amenable to bipartisan compromise. Soon afterwards, the State Assembly unanimously approved measures to cut the upcoming year’s deficit by \$1 billion through borrowing and fund shifts (Bluth 2004-02-20). However, they held off on voting on the (more controversial) spending cuts that the Governor had proposed in his January budget.

Following the voters’ approval of his bond measure in March, Schwarzenegger took a series of unilateral actions to win support for his budget. First, he struck a series of unprecedented agreements with the leaders of various interest groups – public school officials, public university officials, local governments and court officials (Walters 2004-05-14). In all cases the deals won the interest groups’ support for cuts in the upcoming year’s budget by promising future protection from cuts or future spending increases (Delsohn 2004-05-12). All of these deals were made without the legislature’s involvement. Second, in his May revised budget, the Governor scaled back some of the more unpopular cuts in his January budget in order to placate various interest groups (Benson 2004-05-14); this was done despite the fact that the administration had raised its deficit projection by \$1.1 billion, bringing it to \$15.1 billion (see Table 5.3, page 283). The Legislative Analyst said the revised plan would balance the budget for

the coming fiscal year and mostly balance the budget for the following year, but at the cost of creating shortfalls in the years after that due to Schwarzenegger's promises to interest groups (Bluth 2004-05-18).

As the Budget Conference Committee went to work reconciling the Assembly and Senate versions of the budget (Bluth 2004-06-03), a group of lawmakers – mostly Democrats – announced its opposition to the unilateral deal that Schwarzenegger had struck with cities and counties (Bluth 2004-06-11). These lawmakers opposed Schwarzenegger's promise to support a constitutional amendment that would prevent the state government from borrowing tax dollars from local governments. The leader of this group was Assembly Budget Committee Chairman Darrell Steinberg. Steinberg would later tell reporters that he did not believe the legislature should just rubber-stamp deals cut by the Governor, and that it was a co-equal branch of government (Bluth 2004-07-10). These remarks indicate that Steinberg, and possibly others, not only opposed the substance of the deal with local governments but also opposed Schwarzenegger's effort to dominate the budget process.

In addition to the deal with local governments, Democrats disagreed with Schwarzenegger on four other major issues: a deal he cut with the university systems to slash spending now and raise student fees in exchange for promised funding increases later; the size of workers' contributions to their retirement fund; renegotiation of contracts to cut costs; and cuts to social service programs (Bluth 2004-06-12). To put pressure on lawmakers to strike a deal before the end of the fiscal year, Schwarzenegger made public appearances to promote his budget plan (Bluth 2004-06-18). He also met with legislative leaders to work towards agreements on a number of issues, but time was running out to enact the budget by July 1st (Bluth 2004-06-27).

On June 28th, an agreement was reached with unions on reforming the pension system, clearing out one of the barriers to passing a budget, but officials signaled that they would not be able to meet the deadline (Bluth 2004-06-28). The Governor and legislative leaders claimed they were nearing a final deal, including a compromise over the tax revenue issue (Bluth 2004-07-02). However, legislative Republicans opposed the compromise (Bluth 2004-07-02). Then, Schwarzenegger angered Democrats by subsequently claiming that he had not committed to the compromise plan, but simply agreed to bring it to city and county officials (Bluth 2004-07-06). Negotiations deadlocked over the disagreement about local government funding (Bluth 2004-07-27). Steinberg blamed city governments for the budget impasse and said he would hold out for a compromise that gave future legislatures more flexibility (Bluth 2004-07-10). In a letter to local leaders, Schwarzenegger blamed the legislature for failing to accept the deal that he had made with them in May (Bluth 2004-07-14).

Schwarzenegger ratcheted up the pressure on legislators, visiting Democratic legislative districts that had supported him in the recall (Bluth 2004-07-27). However, his public outreach backfired (in terms of reaching a quick budget deal, at least) when the Governor insulted legislators on two occasions, first referring to them as “children” (Bluth 2004-07-06) and then calling them “girlie men” (Delsohn 2004-07-20). Democratic Senate Leader Burton criticized the Governor’s rhetoric and said it had likely lengthened the standoff with Democrats, rather than pressuring them to compromise. On the other side, Democrats tried to put pressure on Republicans by putting their own version of the budget up to a vote in the Senate, where it was blocked by Republican opposition on a 24-11 vote (with all but one Democrat voting yes, and falling three short of the two-thirds necessary to pass the budget) (Bluth and Rojas 2004-07-22).

At the end of July, the Governor and legislative leaders finally reached a deal on the budget bill (Bluth 2004-07-27). The announcement by the State Controller that, without a budget, the state would not be able to make payments to K-12 schools, community colleges and vendors in the upcoming week may have encouraged lawmakers to reach a compromise (Bluth 2004-07-27). As part of the compromise, local governments and Republicans dropped their demand to prevent the legislature from borrowing money under certain conditions. Republicans dropped their demand to repeal a law preventing schools from hiring private contractors, and Democratic Senate leaders agree to soften a law allowing workers to sue employers over labor law violations. On July 27th, the Assembly amended a budget implementation bill – SB-1113 – to be the new version of the budget bill (California State Legislative Council [CSLC] 2004-07-27; CSL N.d.25). On July 29th, the Assembly approved the budget on a 69-11 vote that was hailed by lawmakers as bipartisan, sending the bill to the Senate (Bluth 2004-07-29; CSL N.d.25; Wilson 2011). The budget bill faced more resistance in the Senate from Republicans who opposed the extent of borrowing in the budget, and passed with barely enough votes to overcome the supermajority requirement, a 28-11 margin (Bluth, Sample and Talev 2004-07-30; CSL N.d.25; Wilson 2011). The budget bill received four votes from Republican Senators, although – according to reporters - "they struggled to find complimentary words in explaining their votes" (Bluth, Sample and Talev 2004-07-30). On August 1st, 2004, the governor signed the month-late budget into law.

In summary, the 2004-2005 budget process began a pattern that carried across most of the years of Schwarzenegger's governorship: the state faced a sizable deficit, triggering a partisan fight over the budget between the Governor and legislative Republicans, on one side, and legislative Democrats on the other side. In this conflict Republicans opposed tax increases and

pressured Democrats to pass budgets that relied on spending cuts, borrowing and other gimmicks. The larger historical conditions – partisan polarization, the veto points in the budget process, and the divided party control of the government – are each reflected in the conflict that resulted in a 30-day delay in enacting the budget: Elected Republicans and elected Democrats were polarized on taxes, spending, and a host of other budgetary issues, with neither side able to enact a budget on its own due to divided party control (Republican control of the governorship, Democratic majorities in the Senate, but short of two-thirds) and the veto points in the policymaking process (the supermajority requirement for budgets). The failed attempt by Senate Democrats to advance their own version of the budget, as they could not get two-thirds of the Senate to vote for it, demonstrates how the supermajority requirement contributed to the delay and provided Republicans with additional leverage (Bluth and Rojas 2004-07-22).

However, the 2004 budget process also involved tensions over the relative power of the legislature versus the governorship, in addition to substantive issues. An incoming and famous celebrity Governor unilaterally cut deals with interest groups, bypassing the legislative process, and then pressed the legislature into ratifying these deals. Indeed, it was the Governor's deal with localities that ended up being the final, major sticking point during the month-long delay (Bluth 2004-07-10, 2004-07-14), not partisan conflict over spending cuts or statewide taxes. In this way, the 2004 budget process differed from the gridlock-ridden budget processes that occurred during the Governor's second term in office (2007-2010), as discussed below.

The 2005-2006 Budget Process

Going into 2005, the Legislative Analyst's Office estimated that California would face a nearly \$7 billion deficit for the 2005-2006 fiscal year, while Schwarzenegger's budget proposal projected a deficit of about \$9 billion (see Table 5.3, page 283). On January 7th, Schwarzenegger released some details of his plan to close the gap, which angered education leaders because he was breaking his promise to increase spending, as well as "proposing weakening the voter-sanctioned formulas that guarantee public schools a certain level of funding each year and imposing a controversial merit-pay system for teachers" (Bluth 2006-01-07). The spending freeze for education also drew criticism from high-ranking Democrats (Sample 2005-01-10). Other parts of the Governor's plan included spending cuts in social service programs and more borrowing, while the plan did not include tax cuts or a strategy for eliminating the structural deficit (Bluth 2005-1-10; see Table 5.5, page 295). The governor's plan was introduced in both houses of the legislature (CSL N.d.16, N.d.30). Appraising the plan, Legislative Analyst Elizabeth Hill said the proposal would leave the state with at least a \$5 billion deficit in the following budget year (2006-2007) (Bluth 2005-01-13). Hill asserted that lawmakers should seek long-term solutions – such as permanent program cuts or tax increases – to avoid future deficits.

In an interview with the Sacramento Bee, Schwarzenegger used the rhetoric of anti-tax, anti-government conservatives to justify excluding tax increases from his budget proposal:

"Raising taxes is out of the question because it won't work... Taking money out of the private sector is a no-no because we don't want to feed the monster. We want to feed the private sector, and we want to starve the public sector" (quoted in Delsohn 2005-01-17).

In these remarks, Schwarzenegger appeared to draw on a central slogan of the anti-tax, anti-government conservative movement, the idea of "starving the beast" – reducing or eliminating social services by reducing the tax revenues used to pay for these programs (Delsohn 2005-01-

19). Schwarzenegger had signaled to Democrats his opposition not only to taxes but to social service programs that Democrats stridently supported. In response, Democratic officials announced a plan to engage in a statewide campaign to oppose Schwarzenegger's budget (Bluth and Yamamura 2005-01-21). Specifically rejecting Schwarzenegger's remarks to the *Sacramento Bee*, Assembly Speaker Nunez said "government is in no way, shape or form a monster that needs to be starved. I will not support a budget that starves Californians of the services that they depend on and of the services that make us a first-class state" (quoted in Bluth and Yamamura 2005-01-21). Furthermore, in February, the California Teachers Association ran an ad across the state to call on Governor Schwarzenegger to "stop balancing the budget on the backs of our children" (quoted in Rojas 2005-01-29).

Table 5.5 - Governor's Proposed Solutions for Budget Deficit, January 2005 (in billions)	
Deficit without Budget Solutions¹	-\$9.092
Budget Solutions:	
Proposition 98	\$2.284
Business, Transportation and Housing	\$1.311
Health and Human Services	\$1.167
General Government	\$0.928
Education	\$0.543
Resources	\$0.475
Youth and Adult Correctional	\$0.272
Others	\$0.020
New Economic Recovery Bonds	\$1.683
Revenue Issues	\$0.409
Source: California State Governor (2005a).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

In April, Democratic opposition to the Governor's proposal briefly focused on an unrelated issue, criticism of the Governor's implementation of a 2004 worker's compensation law (Chan 2005-04-20). Democratic officials and allies argued that the Governor's Administration had written the implementation rules in such a way as to deny benefits to injured workers. Assembly Speaker Nunez threatened to block budget talks until the Governor revised the rules. Some Democratic lawmakers also called for the Governor to fire the administrative director who had written the restrictive rules.

In mid-May Schwarzenegger released his revised budget proposal (Hill 2005-05-14), in which the Governor was able to remove the borrowing components because of higher-than-expected tax revenues in April (Bluth and Yamamura 2005-05-17). In an interview with the *Sacramento Bee*, Senate Republican leader Richard Ackerman expressed support for the Governor's budget and said that Schwarzenegger's special election initiatives would be more likely to pass if Democrats fought for spending or tax increases. For this reason, Ackerman said his caucus would be resistant to compromising in the direction of Democratic demands. In late May, in opposition to the Governor's budget, at least 10,000 protestors gathered at the state Capitol and thousands of protestors also rallied in Los Angeles (Bluth 2006-05-25).

Meanwhile, Assembly and Senate Democrats worked on an alternative budget plan, seeking to resolve differences between the houses in order to present a unified front against Schwarzenegger's plan (Weintraub 2005-05-29). On May 19th the Assembly amended SB-77 to be a new version of the budget bill, then passed it on a 49-to-1 vote several days later (CSL N.d.07; CSLC 2005-05-19). The Senate refused to concur with the Assembly's amendments and the bill went to conference committee (CSL N.d.07). On June 1st, Democrats released their alternative plan, which – in contrast to Schwarzenegger's proposal – raised school spending by

\$3 billion and raised income taxes on families with \$300,000 or more in annual income (Walters 2005-06-01). Whereas in previous years Democrats eschewed tax increases, Democrats calculated that increasing popular opposition and Schwarzenegger's declining popularity provided them with an opportunity to push for taxes on rich individuals (Bluth 2005-06-01).

However, within two weeks Democrats shifted their strategy, substituting a budget plan much closer to the Governor's proposal and deciding to postpone the conflict over education spending until after the budget was passed (Delsohn 2005-06-11). According to the Sacramento Bee, this was "a highly unusual budget maneuver, which Democrats readily admitted was a tactical move to avoid being portrayed as obstructionists." The conference report was passed on June 13th on a 4-to-2 vote, sending it to both houses to vote on its adoption (CSL N.d.35).

Republicans blocked the passage of the Democratic plan on June 15th, complaining that they hadn't had sufficient time to read the 700-page plan and that, on first glance, they disliked many of its components (Bluth 2005-06-16). The vote in the Assembly was 47-32, while the vote in the state Senate was 25-13 (CSL N.d.35). Schwarzenegger also announced his opposition to the Democratic plan and said that his own proposal and the Democrats' proposal were "far, far apart" over \$1 billion in spending (Bluth June 22, 2005), while Democratic leaders minimized differences between the two proposals. Schwarzenegger's opposition was bolstered by an analysis from the Legislative Analyst, who estimated that the Democratic proposal would leave the state with a deficit \$3 billion greater than Schwarzenegger's plan. As the deadline approached, Schwarzenegger also sought to link budget negotiations to negotiations over his proposed ballot measure to cap spending (Bluth 2005-06-30), thereby expanding the area of budget disagreement between himself and Democrats. As a result of unified Republican resistance, Democrats were unable to pass their budget by the start of the fiscal year (Bluth 2005-

07-01). A second vote on the conference report failed in the Senate on July 30th, still two votes short of the two-thirds threshold (CSL N.d.35).

Next, at the insistence of Republicans, activity on the budget shifted to “Big 5” negotiations between Schwarzenegger and the legislative leaders from both parties (Bluth 2005-07-01, 2005-07-03). In a six-hour meeting on July 2nd the “Big 5” failed to make progress (Bluth 2005-07-03), but reached an agreement on July 5th, splitting the difference over a variety of spending issues and inter-governmental transfers; notably, Democrats gave up on their insistence on tax increases (Bluth 2005-07-06; Walters 2005-07-06). Two days later both houses of the legislature passed the budget, sending it the Governor for his signature (Bluth 2005-07-08). In contrast to previous years, Republican legislators provided many votes to the budget bill rather than only enough votes to ensure passage. The budget received 65 votes in the Assembly and 34 in the Senate (CSL N.d.35; Wilson 2011). On July 11th Schwarzenegger signed the budget into law. Notably, even though it was late, the 2005-2006 budget was the earliest budget in five years (Bluth 2005-07-12). However, another conflict loomed on the horizon over Schwarzenegger’s ballot measures, which were set to be voted on in a November 8th special election (Walters 2005-07-12).

In summary, the 2005 budget process was characterized by strong partisan conflict, yet the length of the budget delay was not great in comparison to other years. The broader structural factors - high partisan polarization, the veto points in the legislative process, and divided partisan control – persisted through this year, although Schwarzenegger did move away from his hardline rhetoric early in the year towards a more compromising stance towards the end of the process. Nonetheless, partisan conflict over the budget was more short-lived than expected; Democrats and Republicans demonstrated an unusual willingness to compromise in 2005. Democrats may

have expected that it would hurt their public perception if they stuck to a hardline stance on education spending and taxes, while Republicans may have sought to clear the way to turn the focus to placing the Governor's ballot measures on the ballot.

The 2006-2007 Budget Process

The 2006-2007 budget process was the smoothest of Governor Schwarzenegger's time in office, with the Governor signing the first on-time budget in six years (Benson 2006-07-07). As I will discuss, a major cause of the efficiency of the budget process was an unexpectedly large surge of revenues (Benson 2006-05-12) that reduced the pressure on legislators to make hard choices in terms of cutting spending, raising taxes or borrowing money. In November 2005, the LAO projected that the state would end the 2006-2007 fiscal year with a surplus of \$1.2 billion, rather than a deficit (see Table 5.3, page 283).

Furthermore, the Governor had shifted away from a hard-right position on spending after the failure of his ballot measures in the November special election (Delsohn 2006-01-11). In January, the Governor proposed a budget that would increase revenues for many programs while cutting spending on welfare programs (Benson 2006-01-11; Delsohn 2006-01-11). Predictably, Democratic leaders criticized the proposed cuts (Benson 2006-01-11), but Schwarzenegger's more restrained approach to spending cuts also ran the risk of alienating Republican 'budget hawks'. Additionally, Republican activists expressed discontent at the GOP convention in February over the budget as well as the Governor's appointment of Susan Kennedy (a Democrat) to be his chief of staff (Furillo 2006-02-15, Furillo 2006-02-27). Activists put forward resolutions to denounce the Governor's budget proposals, although the resolutions were rejected by the delegates. Lastly, the Legislative Analyst also criticized the Governor's plan; Hill called

out the Governor for planning to use a forecasted windfall in tax revenues for new spending rather than for paying down the state's debt (Benson 2006-01-13, 2006-02-23).

In May the Governor moved towards compromises with Democratic legislators and allied interest groups. To settle a lawsuit over school funding, the Governor reached an agreement with the education lobby to provide an extra \$5 billion in education spending (Furillo and Benson 2006-05-11). Additionally, the Governor used the \$5 billion tax windfall to increase healthcare spending as well as paying down the debt (Benson 2006-05-12). While Assembly Speaker Nunez stated opposition to particular elements of the budget, he also told reporters that the Democrats were very close to a deal with the Governor (Furillo 2006-05-16).

In the legislature, Democrats further increased social spending in the budget and stripped out the repayment of bonds (Benson 2006-05-31). On May 25th, the Senate voted to pass the budget bill 25-to-11, then sent it to the Assembly for approval (CSL N.d.12). The Assembly refused to concur with the Senate's amendments (2-to-77), and a conference committee was formed to resolve the disagreements (CSL N.d.12), which started meeting on May 30th (Benson 2006-05-31). At this point, the Governor's proposal and Democrats' proposal were only \$1 billion apart on spending, much less than the \$7 billion difference at the same point in the previous year.

On June 10, the Conference Committee agreed to a joint budget proposal on a 4-2 vote (Benson2006-06-13), but the Governor objected to a part that would extend state health insurance to undocumented children, saying it was too expensive (Benson 2006-06-16). The Governor also found himself at odds with Republicans, who rejected Schwarzenegger's support (in conjunction with Democrats) to provide funds to county health programs for undocumented children. Nonetheless, this was a fairly minor disagreement compared to other years where there

were arrays of divisive issues in the budget process. Within days the Democrats agreed to drop their proposal to give state health insurance to undocumented children (Benson 2006-06-20), and by the end of the month they also capitulated to the GOP caucus' objection to funding for county health programs for undocumented children (Benson 2006-06-27). In exchange Republicans agreed to other increases in state spending (Benson 2006-06- 27).

On June 27th, after agreement had been reached between the Governor and legislative leaders, the legislature began debate on the compromise budget bill (Benson 2006-06-27, 2006-06-28a). Quite remarkably, the legislature approved the budget late in the night on the same day (Benson, 2006- 06 28a, 2006-06-28b; CSL N.d.12). The budget received 54 votes in the Assembly (just enough to overcome the two-thirds requirement) and 30 in the Senate (CSL N.d.12). Schwarzenegger called the budget a victory for the people of California (Benson 2006-06-28a) and, on June 30th, held a ceremony with top legislators in which he signed the first on-time budget in six years (Benson 2006-07-01; CSL N.d.12). Legislative leaders congratulated themselves on working well together (Benson 2006-07-01).

In summary, the 2006 budget process was smooth compared to prior years because of the influx of revenues, meaning legislators did not have to fight over how to fix a deficit, and because Schwarzenegger had shifted to a more moderate position on spending (Delsohn 2006-01-11). While most of the larger structural conditions for gridlock remained in place – high polarization within the legislature, veto points, and divided partisan control – the improvement in the state's fiscal outlook and the Governor's moderation facilitated an on-time budget despite these broader conditions. However, the budget process also set the stage for a rightward shift in the Republican caucus (Schultz 2006-11-10), increasing polarization, that would contribute to worsening gridlock in future years, as described in the following section.

The 2007-2008 Budget Process

In 2007 the legislature passed the budget 67 days after its July 15th deadline, and Governor Schwarzenegger signed the budget 54 days after the start of the fiscal year. At the time, this was the worst budget gridlock the government had experienced since Schwarzenegger took office, and a reversal of the trend of the previous three years towards less gridlock. In this section I will describe the 2007 budget process and explain why gridlock was higher than in previous years.

One potential cause was that, late in 2006, there were a few indications that the Republican caucus was shifting further rightward, increasing its ideological distance from the Democratic caucus. First, in November, the Assembly GOP voted to replace its leader, George Plescia, with the more conservative Mike Villines (Schultz 2006-11-10). Although the change in power appeared to be amicable, it came after Plescia cut deals with the Governor and Democrats on the budget bill and on a bill for public works bonds, whereas Villines had voted against these bills. This suggests that Assembly Republicans were positioning themselves for a more aggressive approach on budget issues in the future (Sanders and Lin 2006-12-05; Schultz 2006-11-10). Second, Senate Republican leader Dick Ackerman faced a leadership challenge, although he was able to retain his position (Sanders and Lin 2006-12-05). Another factor was that there was a record level of turnover in the Assembly and Senate, with 48 seats changing occupants, bringing in legislators without experience in working to resolve budget conflicts.

At the start of 2007 Governor Schwarzenegger had been recently re-elected (National Conference of State Legislatures 2011). Despite the record turnover in the California legislature (Sanders and Lin 2006-12-05), the party composition of the legislature remained unchanged from the previous year (see Table 5.2, page 281). In the Assembly, Democrats continued to hold

48 seats and the Republicans held 32 seats. In the state Senate, Democrats held 25 seats while Republicans held 15 seats. Thus, as before, Democrats had a majority in both houses but fell short of the two-thirds requirements for passing a budget or raising taxes; they would need to win Republican votes in order to act on fiscal matters, as well as working with the Republican Governor.

Initially, it appeared that the 2007 budget process would be unproblematic. At the beginning of the year, the state's fiscal outlook was better than it had been in 2004 and 2005, though not as good as 2006, when an unexpected surge in tax revenues allowed lawmakers to reduce the deficit while simultaneously expanding state spending (Benson, 2007-01-11; Table 5.3, page 283). The LAO projected a deficit of only \$2.4 billion for the upcoming fiscal year, 2007-2008.

The Governor's office predicted that tax revenues would continue to grow in the upcoming fiscal year, albeit less quickly than in the previous year (Benson 2007-01-11). Based on this projection, Governor Schwarzenegger's January budget proposal aimed to cut the state's 2007-2008 budget deficit to \$1.8 billion, down from \$4.5 billion in the previous year (Benson, 2007-01-11). Schwarzenegger's budget relied on spending cuts to reduce the deficit and included no tax increases, fitting with his campaign pledge (Yamamura 2006-07-07). Budget bills of the governor's plan were introduced in both houses of the legislature (AB-120 and SB-54, respectively) (CSL N.d.02, N.d.31). The governor's plan pleased Republicans but drew criticism from Democratic lawmakers, who were opposed to a proposed \$500 million cut in aid for welfare recipients. Nevertheless, the Sacramento Bee reported that members of both parties expected the budget process would be a "cakewalk" compared to previous years because of improved economic conditions (Benson 2007-01-11).

However, the 2007 budget process was no cakewalk, in part because revenue projections worsened. In January, the Legislature's nonpartisan budget advisor, Legislative Analyst Elizabeth Hill, warned political officials in January that the Governor's budget proposal relied too heavily on optimistic projections regarding savings and revenues (Benson 2007-01-13). In February, Hill warned that tax revenues for the 2005-2006 fiscal year and the upcoming fiscal year would be \$2 billion less than previously expected (Benson, 2007-02-22). However, the Governor's office countered that it was too early to predict the revenue situation for the upcoming fiscal year.

In April, Grover Norquist, head of Americans for Tax Reform came to Sacramento as part of a broader effort to get lawmakers across the country to sign his organization's pledge to never raise taxes (Benson 2007-04-10), called the "Taxpayer Protection Pledge" (Sanders 2008-08-28). All but one California Republican lawmaker, Assemblyman Roger Niello (Fair Oaks) signed Norquist's pledge (Benson 2007-04-10; Sacramento Bee 2007-04-11). Though no one had proposed a tax increase to help close the state's current deficit (Benson 2007-04-10), the pledge signaled that California Republicans would fight against any future proposals to raise taxes to help balance the state budget.

Following the release of the May revision of the Governor's budget, the legislative Republicans changed their position on the budget, now demanding as much as \$4 billion more in spending cuts than the Governor had proposed (Yamamura 2007-05-21). With Democratic and Republican leaders unable to reach agreement, the legislature missed its June 15th deadline for submitting the budget to the governor (Lin 2007-06-15). Furthermore, Senate Republicans prevented the passage of a Schwarzenegger-backed foster care bill that, in their view, continued uncontrolled state spending (Lin 2007-06-29).

As in previous years, it appears that Democratic lawmakers decided to avoid the two-thirds rule by sending a shell budget bill to the conference committee (CSL N.d.36, 07-05-21). The text simply read “This bill would express the intent of the Legislature to enact the Budget Act of 2007” and thus did not include any spending items that would require a two-thirds vote (CSL 07-05-21). The Assembly passed SB-77 on a 45-to-1 vote, sending it to the Senate, which then refused to concur in the Assembly amendments (CSL N.d.36). This procedural tactic allowed the Democrats to move the bill to conference committee without having to get Republican votes at this stage.

In late May, the legislature convened a conference committee to resolve the differences between the two versions of the budget bill (CSL N.d.31). According to Walters (07-07-01), the differences between the two versions were “mostly minuscule.” In addition to work in the committee, leaders of both parties met to discuss the budget, after which Nunez said he was “optimistic” about getting a budget to the Governor by July 1st (quoted in Lin 07-06-15). Nonetheless, California was without a budget by the start of the fiscal year (Lin 07-07-01). Legislative Democrats were moving towards Schwarzenegger’s proposal, but Republicans had deemed Schwarzenegger’s proposal unacceptable and sought even deeper cuts to spending (Lin 2007-06-30 2007-07-01, 2007-07-10).

On July 9th, the conference committee completed its work on the revised budget bill on a 4-to-2 vote, sending it back to both houses for approval (CSL N.d.31, 2007-07-09). The following day, Schwarzenegger (who had previously opted to stay away from budget negotiations) held his first meeting with the Democratic and Republican leaders to discuss the budget. Afterwards, the Republican Assembly Leader, Mike Villines, said the meeting had made

him “less optimistic” about the prospects for an agreement and that “we’re still \$2 billion apart” (Lin 2007-07-10).

The Assembly managed to reach a deal on the budget on July 19th, after Democrats agreed to a shift of local transit funds as well as a set of business tax breaks in order to get Republican votes. (Lin 2007-07-20). However, Assembly Democrats had not consulted with Senate Democrats before striking the deal, and Senate President Pro Tem Don Perata (the Democratic leader in the Senate) was unhappy with the compromise on tax breaks (Lin 2007-07-20). The next day, the Assembly voted 56-to-23 to pass the budget bill before members of the Assembly left for a four-week recess (CSL N.d.31; Lin and Sanders 2007-07-21). However, the budget bill stalled in the state Senate with all 25 Democrats voting for it and all but one Republican opposed (Republican Senator Maldonado abstained). Senate Republicans wanted further cuts and wanted language inserted to prevent the state Attorney General from suing local governments that fail to account for climate change in their development plans (Lin and Sanders 2007-07-21). The latter demand was in response to a recent lawsuit against San Bernardino County by Attorney General Jerry Brown. The legislative session went through the night, for 19 hours, before Senate President Pro Tem Don Perata called the session to a close and challenged Republicans to come up with their own budget plan (Lin 2007-07-22).

In the following week Senate Republican Leader Dick Ackerman presented a list of additional cuts – totaling \$1 billion - including cuts to welfare and public transportation (Lin 2007-07-25). In response, Senate President Pro Tem Perata accused the Republicans of “fiscal terrorism” and said he would not capitulate to the demands (Lin July 26, 2007). Perata asked for Schwarzenegger’s help to resolve the impasse, and Schwarzenegger endorsed the Assembly bill (Yamamura 2007-07-27). In a further effort to secure Republican voters, Schwarzenegger then

promised Republicans he would use his line-item veto power to balance the budget (Lin 2007-08-02).

Nonetheless, the budget bill failed to pass again on August 1st, now by just one vote short of the two-thirds requirement (CSL N.d.37; Lin 2007-08-02). One Republican – Senator Abel Maldonado - had been swayed by Schwarzenegger’s promise to cut an additional \$700 million after the budget was passed (Lin 2007-08-02). At this point, Senate President Pro Tem Perata sent members back to their districts (Lin 2007-08-02). The Governor was openly frustrated with legislators from his own party, saying ““I don't really know now what it takes to close it, and I hope they know”” (quoted in Hill 2007-08-03). He highlighted the consequences of the delay, saying ““State services are disrupted and hard-working families are not going to get their paychecks. I think that Californians deserve much better than that” (quoted in Hill 2007-08-03).

After the break, a deal was finally reached that gained the vote of Republican Leader Ackerman, allowing the Senate to pass the budget bill (CSL N.d.31; Lin 2007-08-22). The final bill was “nearly identical” to the version that the Assembly had passed on July 19th, over a month earlier. In addition to Schwarzenegger’s promise to cut \$700 million with his line-item veto, the Senate Republicans won several concessions from Democrats. First, the Republicans got language to protect infrastructure bonds passed in 2006 from being included in lawsuits over greenhouse gas emissions through 2009. Second, Republicans made available up to \$250 million in bonds for railroads. Third, Republicans got Democrats to agree to drop provisions regarding Medi-Cal lawsuits and higher environmental standards for state buildings. The Assembly approved these changes. Two days later, Schwarzenegger cut \$700 million using his line-item veto power and signed the bill, 54 days after the start of the fiscal year (CSL N.d.31; Lin 2007-08-25).

The budget impasse in 2007 illustrates how a disciplined minority of legislators - in this case, the Republicans - was able to bring the budget process to a halt (Hill 2007-08-03; Lin 2007-01-10, 2007-06-29, 2007-06-30, 2007-07-01, 2007-07-25; Lin and Sanders 2007-07-21). The larger structural conditions are quite evident in the narrative above. Legislative Democrats and Republicans were highly polarized around the issue of spending cuts. In this climate, Republicans (especially Senate Republicans) staked out a position on the budget that was further to the right than the Governor's own position, and by holding out were able to extract a number of concessions from the Governor and Senate Democrats (Lin 2007-08-22). The supermajority requirement – a key veto point - empowered the Republicans' strategy just as much as they constrained the options of legislative Democrats. The fact that control of the government was divided – especially that Democrats didn't have enough seats in the legislature to pass a budget on their own – placed Republicans in an ideal position to use the supermajority requirement to extract concessions. On the other hand, there was less ideological disagreement between the legislative Democrats and the Republican Governor than in the prior year, but this was offset by the hardline position taken by legislative Republicans. In addition to substantiating my broader theoretical argument, my analysis of the 2007 budget process shows that the onset of the recession also contributed to gridlock; however, the way in which it contributed to gridlock was by heightening Republicans' insistence on budget cuts (Yamamura 2007-05-21) , thereby increasing the space of disagreement between the parties in the legislature.

The 2008-2009 Budget Process

According to the LAO in November 2007, the state faced a nearly \$10 billion deficit for the upcoming 2008-2009 fiscal year (see Table 5.3, page 283). 2008 began with Schwarzenegger releasing his “bleakest budget to date” (Yamamura and Lin 2008-01-11), announcing a “fiscal emergency” (Lin 2008-01-10). The Department of Finance pegged the deficit for the upcoming year at nearly \$15 billion (Table 5.3). The Governor’s budget plan called for a 10 percent across-the-board-cut to state spending and a suspension of Proposition 98 (which would require a two-thirds vote) in order to bypass its minimum funding requirement for K-14 education (Lin 2008-01-10; see Table 5.6, page 310). The Governor also set a 45-day deadline for the legislature to close the current-fiscal-year shortfall of \$3.3 billion (Yamamura and Lin 2008-01-11).

Schwarzenegger reiterated his campaign promise to not raise taxes, although his budget proposal did include several fee increases (Yamamura and Lin 2008-01-11). Republican lawmakers, for their part, continued to be committed to Norquist’s anti-tax pledge (which, as a reminder, had been signed by all but one Republican legislator) (Lin 2007-12-30; Sanders 2008-08-28). The response to the Republican position from Democratic leaders was critical (Yamamura and Lin 2008-01-11). Assembly Speaker Fabian Nunez said “cuts alone will not work” and that tax increases needed to be considered.

Table 5.6 - Governor's Proposed Solutions for Budget Deficit, January 2008
(in billions)

Deficit without Budget Solutions¹	-\$17.257
Budget Solutions:	
10-Percent Reductions	\$9.349
Economic Recovery Bonds	\$3.313
Reduce Proposition 98 Overappropriation (2007-08)	\$0.400
Proposition 58 Suspension	\$1.509
Other Special Session Reductions	\$0.296
Accrual of June Income & Corporate Taxes	\$2.001
Franchise Tax Board & Board of Equalization Collection & Enforcement enhancements	\$0.389

Source: California State Governor (2008a).

¹ Value includes both the estimated deficit for the *current* fiscal year and the estimated deficit for the *upcoming* fiscal year. It also includes the allocation of money for the state's reserve fund.

In January, budget bills were introduced in both houses and sent to the Assembly Budget Committee and Senate BFR Committee, respectively (CSL N.d.07, N.d.24). On February 16th the legislature passed a number of measures to cut spending but postponed dealing with some of the more controversial items in Schwarzenegger's proposal (Lin 2008-02-16). The bills closed the current-year deficit (2007-2008) and halved the projected deficit for the next fiscal year (2008-2009). A proposal to close a tax loophole for the purchasers of motor homes, boats and airplanes made it through the state Senate but was blocked by Republicans in the Assembly. Democratic leaders called for new revenue sources to deal with the remainder of the projected deficit, but Republican Assembly Leader Mike Villines said his fellow Republican legislators continued to oppose tax increases.

In March, Schwarzenegger's position shifted towards legislative Democrats on taxes, with statements in favor of closing tax loopholes and consideration of a sales tax increase (Lin 2008-03-08). Assembly Democrats attempted to place a 6% tax on oil produced in California as

well as a windfall profits tax on oil companies, but the measure was defeated by Republicans on a 45-30 vote with no Republicans voting yes (Sanders 2008-03-13). On this particular issue, Schwarzenegger joined legislative Republicans in opposing the new taxes.

In April, both houses amended their versions of the budget bill, then referred the bills back to committee (CSL N.d.07, N.d.24). In May, State Controller John Chiang and State Treasurer Bill Lockyer urged the legislature to produce an on-time budget and warned the state could run out of cash reserves as early as August (Lin 2008-05-06). Schwarzenegger's May Revision estimated that the deficit was now \$17.2 billion, even though the legislature had already passed \$7 billion in deficit-reducing measures since January (see Table 5.3, page 283). Schwarzenegger's revised plan called for \$9.1 billion in cuts, although but he backed off of several of his more controversial proposals from January, such as cuts to K-12 education (Yamamura 2008-05-15). To close the remainder of the deficit, Schwarzenegger sought voter approval to expand the California Lottery and to borrow \$5.1 billion against its future profits. Schwarzenegger said that if his lottery plan wasn't approved the state would have to increase the sales tax by one cent. Legislative Republicans voiced their opposition to the lottery proposal and to the contingency plan to raise the sales tax (Yamamura 2008-05-15, 2008-05-16). Democrats criticized the proposed spending cuts, increase in executive power and plan to establish a rainy-day fund (Yamamura 2008-05-16).

As the legislature worked on its budget package, Assembly Democrats adopted a version of Schwarzenegger's lottery plan but also called for \$6.4 billion in revenue increases (Sacramento Bee 2008-06-12). Senate Democrats rejected the lottery plan and called for \$11.5 billion in new tax revenues. However, both proposals failed to specify where the new revenues would come from. Both houses amended their versions of the main budget bill in early June

(CSL N.d.07, N.d.24). Around the same time, the Senate amended and passed a ‘shell’ budget bill that simply read “It is the intent of the Legislature to enact the Budget Act of 2008” (CSL N.d.09, 2008-06-04). The Assembly refused to concur with the amendment, sending the bill to conference committee on June 12th (CSL N.d.09).

Several days later, the legislature missed its June 15th deadline to send a budget to the Governor, as usual (Goldmacher 2008-06-15). Senate President Pro Tem Perata had said he expected the budget would not be finalized before August 1st (Sacramento Bee 2008-06-12). In the second half of June, legislative Republicans – who refused to support Schwarzenegger’s proposal on the grounds that it didn’t sufficiently cut spending – released their own proposal to create a spending cap, which legislative Democrats opposed (Lin 2008-06-19).

With the two sides nowhere near an agreement, the June 30th deadline for passing a state budget was missed and the Democratic leaders called for legislators to return to work (Rojas July 2 2008). However, several days later Assembly Speaker Karen Bass allowed most members to go home until July 14th as there weren’t enough bills ready to be voted on (Rojas 2008- 07-04,). Lawmakers were to remain within three hours of the Capitol in case an agreement was reached between Democrats and Republicans.

On July 9th, Democrats finally released a concrete proposal to raise \$8.2 billion in revenue by raising corporate taxes, creating two new income-tax brackets for high-income earners, and reducing a dependent tax credit (Lin and Smith 2008-07-09). The two Democratic leaders, Speaker Karen Bass and Senate President Pro Tem Perata, said that further cuts would harm education and health care and that a budget agreement must include the tax increases (Lin 2008-07-10). Legislative Republicans said they would block the tax increases, but Schwarzenegger hedged, saying he opposed tax increases but wanted to keep “everything on the

table”. Meanwhile, the budget outlook grew worse as the State Controller said that last year’s revenues had been lower than expected and the state overspent by \$3.9 billion. Chiang further warned that without a budget the state would run out of cash in late September, be unable to make \$1.2 billion in payments and have to engage in costly borrowing (Lin 2008-07-11).

The Legislature’s four leaders held meetings in private to talk about the budget (Lin 2008-07-11, 2008-07-15), but in the meantime Senate President Pro Tem Perata adjourned the Senate and told Senators to be on 24-hours-notice to return to the Capitol for a budget vote (Lin 2008-07-15). The Assembly followed suit, with neither house scheduled to reconvene until August 4th unless Democratic and Republican leaders reached an agreement on the budget (Lin 2008-07-16). The budget conference committee, though, finalized its revisions to the budget bill and approved it on a 4-2 vote (CSL N.d.09, 2008-06-04).

In response to the continuing delay, Schwarzenegger laid off about 10,300 temporary state workers, froze state hiring, banned overtime pay and sought to reduce pay for 200,000 state workers to the minimum wage (Yamamura, Calvin and Enkoji 2008-08-01). The Governor said he would reverse the measures when a budget was passed, but the State Controller said he would continue issuing full paychecks despite the Governor’s executive order. Soon afterwards, the Schwarzenegger administration sued the Controller for failing to comply with the order (Yamamura 2008-08-12).

Schwarzenegger also sought to help end the standoff by – for the first time – endorsing a temporary one-cent sales tax hike as part of an overall budget deal (Sanders 2008-08-08). Republican legislators and the Howard Jarvis Taxpayer’s Association stated their opposition to the sales tax increase. Grover Norquist, who had gotten nearly all Republicans to sign onto his “Taxpayer Protection Pledge”, warned Republicans against moving towards a compromise on

taxes, in remarks to the Sacramento Bee: "If you break the pledge, the people who voted for you will say, 'Excuse me, not only did you raise my taxes but you lied to me'" (quoted in Sanders 2008-08-28). In addition to their refusal to raise taxes, Republican lawmakers continued to insist the budget deal should place a spending cap on the ballot (Sanders 2008-08-28).

On August 17th the Assembly finally attempted to pass the state budget – including increases in income tax rates for high-income earners - but it failed to gain the necessary 54 votes for passage (CSL N.d.09; Sanders 2008-08-18). The vote was 45-30, with no Republicans voting yes. Schwarzenegger released his own budget proposal – including a temporary sales tax, which came under bipartisan criticism, leaving the parties no closer to an agreement (Sanders 2008-08-21). A week later Senate Democrats fell three votes shy of the supermajority requirement to pass their version of the budget, with all Republicans voting no and one Democrat abstaining (CSL N.d.09; Rojas 2008-08-30). The Senate Democrats' budget incorporated Schwarzenegger's proposed three-year sales tax increase but modified it so the sales tax would not fall by 1.25 cents in the fourth year. Senate Republicans remained steadfastly opposed to even a temporary tax increase.

Senate President Pro Tem Perata called out Schwarzenegger for failing to deliver any Republican votes (Rojas 2008-08-31). The Republicans released their own budget proposal calling for further cuts and bond sales that both Democrats and Governor Schwarzenegger criticized. August 31st marked the last day of the legislative session, when all bills were supposed to be completed (Rojas 2008-08-31), but under state law legislators had until November 15th to continue work on the budget (Rojas and Sanders 2008-09-01). The Republican proposal came up for a vote and was defeated in both the state Senate (Rojas 2008-09-09) and Assembly, with

Democrats also turning down the Republicans' request for emergency funding for programs that had run out of money (Rojas 2008-09-10).

On September 13th, the Sacramento Bee reported that – in an e-mail to his fellow caucus members – Senate President Pro Tem Perata said that he and Schwarzenegger had agreed to pursue a deal without any new tax revenues (Rojas 2008-09-13). A day later, the four legislative leaders announced they had reached a compromise but still needed to speak with their respective caucuses (Wiegand 2008-09-15). The broad outlines were \$9 billion in spending cuts with no new taxes and no borrowing for special funds or from local governments. This compromise budget made it through both the state Assembly and Senate on September 17th (CSL N.d.09; Sanders 2008-09-17). The Senate adopted the conference report on a 29-to-11 vote while the Assembly adopted it on a 61-to-11 vote (CSL N.d.09). However, Schwarzenegger declared his intention to veto the budget because it increased income tax withholding by 10% in order to temporarily boost state revenues and because the rainy-day fund that it established could be accessed at any time by the legislature with a 2/3rds vote, whereas Schwarzenegger thought it should only be accessible during economic downturns.

While legislative leaders initially voiced their intention to override Schwarzenegger's veto with a two-thirds vote (Sanders 2008-09-17), they soon reached a deal with the Governor to drop the increase in income tax withholding and restrict access to the rainy-day fund (Yamamura 2008-09-19). On September 23rd, Schwarzenegger signed the record-late budget, bringing the record 85-day delay to an end (Yamamura 2008-09-23). However, conflict over the budget didn't end there; as the state's fiscal crisis worsened, the effort to revise the 2008-2009 budget process continued into the 2009-2010 budget process, leading to an unusual and dramatic conflict early in the calendar year that will be discussed in the following section.

Before moving on, I provide the following summary of the causes of budget gridlock in 2008. As in 2007, the budget two-thirds rule provided the means for a minority to obstruct the process (as a *veto point*); Republicans had enough seats to take advantage of the two-thirds rule (*divided partisan control*), and Democratic and Republican legislators were sharply divided over policy preferences (*high partisan polarization*). In these ways, my narrative analysis of budget gridlock in 2008 supports my general theory of political decision-making. However, the budget delay was worse mainly due to a factor not anticipated by my theory, the state's fiscal conditions. The budget deficit was larger in 2008 than in 2007, and grew over the course of the budget process (see Table 5.3, page 283), heightening partisan disagreements over how to solve the problem. Another detail of the 2008 budget process is not fully consistent with my theoretical claim regarding polarization; in 2008, the Republican governor actually moved towards a more moderate position on taxes, in the opposite direction from his co-partisans in the legislature. Based on my theory, this intra-party divide should weaken the polarization between the parties and make conflicts easier to resolve. However, the narrative analysis showed this wasn't the case in 2008. In the end, Republican legislators had the upper hand. Their numbers, intra-caucus cohesion, and the two-thirds rule allowed them to obstruct the budget until Democrats *and* the Governor conceded to their demands.

The 2009-2010 Budget Process

Within weeks of its passage, it became clear that the 2008-2009 budget had failed to close the current-year deficit. The State Controller reported that the state had taken in \$1.1 billion less in revenues during the first quarter of the fiscal year than had been projected, and Senate President Pro Tem Don Perata forecast a current-year deficit of between \$3 and \$5 billion

(Yamamura 2011-10-08). The outlook worsened further as the United States was hit by the financial crisis, prompting Governor Schwarzenegger to call a special legislative session to take place before the new legislature was sworn in (Sanders 2008-10-28). By the start of the special session, the projected deficit had climbed up to \$11.2 billion for the current fiscal year (Yamamura and Sanders 2008-11-07). The LAO projected that, by the end of the next fiscal year, the deficit would reach a massive \$27.9 billion (Table 5.3, page 283).

At this point, Schwarzenegger fully abandoned his campaign promise to not raise taxes, saying the state now faced “a revenue problem rather than a spending problem” (Yamamura and Sanders 2008-11-07). The Governor laid out a new proposal to trim \$9 billion off of the deficit with spending cuts and tax increases. In particular, he proposed a temporary, three-year increase in the sales tax, an expansion of the sales tax to some services, a new oil production tax and increases in the alcohol tax and vehicle registration fees. Schwarzenegger also warned that the state could run out of cash by February without immediate measures to reduce the deficit. Much of the Governor’s proposal recycled ideas that the legislature had already rejected (Wiegand 2008-11-09). The sales tax increase and the oil production tax had been voted down by Republicans earlier in the year, and his proposed cuts to Medi-Cal had already been rejected that year by Democrats. Nonetheless, Schwarzenegger himself had never before given such strong support to tax increases.

When the legislature began to consider Schwarzenegger’s budget proposal, Republicans and Democrats took opposite positions, with Democrats contending cuts would further worsen the state economy and Republicans asserting the same about tax increases (Yamamura 2008-11-15). Schwarzenegger met with legislative leaders on November 21st to discuss a more modest deal involving an increase in the car tax, \$4 billion in spending cuts and placing a spending cap

on the ballot but the discussion ended without an agreement. A few days later, the special session ended without a resolution (Sanders and Yamamura, 2008-11-26). In both the Assembly and the Senate, the Democratic budget package failed to gain the necessary two-thirds votes for passage. In the Assembly, Democrats fell far short of gaining 2/3rds of the votes for two budget-related bills – by 13 and 14 votes, respectively – in part due to the absence of several Assembly members. In the Senate, the proposal to raise the car and income taxes was blocked on a mostly party-line vote.

After the new class of legislators was sworn in on December 1st, Schwarzenegger again called for a special session to deal with the current-year budget deficit (Yamamura 2008-12-02). With the 2008 election, Democrats had gained three seats in the Assembly, giving them 51 out of 80 seats (NCSL 2011; Wilson 2011). However, they continued to be short of a supermajority by 3 seats in the Assembly, and by 2 seats in the Senate. In this context, Assembly Leader Mike Villines said Republicans would only consider tax increases if Democrats agreed to a strict spending cap, permanent cuts to schools, prisons and social services, and dozens of changes to environmental and labor laws (Sanders December 10, 2008). Schwarzenegger criticized Villines' position and continued to push – along with legislative Democrats – for a deficit reduction plan consisting of equal parts cuts and new revenues (Sanders 2008-12-11). The relationship between Schwarzenegger and legislative Republicans further deteriorated after a meeting between the governor and legislative leaders, with Senate Republican Leader Dave Cogdill saying the process had been “irreparably compromised” (Yamamura 2008-12-12). The Republicans subsequently proposed to reduce the deficit without tax increases with a \$10 billion cut to education, cuts to social services, and borrowing from special funds meant to pay for early childhood education and mental health programs (contingent on voter approval) (Sanders 2008-12-16).

The Assembly once again attempted to pass two bills – one for spending cuts and one for tax increases – but both failed to gain 2/3rds (54 out of 80) of the votes (Sanders 2008-12-17). The spending cuts bill failed on a 48-27 vote, with one Democrat joining Republicans in voting no and two Democrats abstaining. The tax increase bill failed on a 46-27 vote, with 5 Democrats abstaining and all Republicans voting no. Due to the continuing standoff, the state was forced to postpone \$5 billion in public works projects and lay off thousands of workers.

Democrats then shifted to a controversial strategy of pushing a bill that they contended could be passed with a majority vote (Sanders and Wiegand 2008-12-18). Despite including a number of tax increases, Democrats claimed that the proposal was “revenue-neutral” and therefore not subject to the 2/3rds requirement for tax increases. A Sacramento Bee editorial explained the details of the Democratic proposal (Sacramento Bee 2008-12-18): the Democrats sought to eliminate the gasoline sales tax and excise tax and raise an equal amount through new taxes, including a tax on oil. To make up for the loss of dedicated transportation funding Democrats sought to create a user fee for gasoline. Both Republican leaders declared that the plan was illegal (Sanders and Wiegand 2008-12-18). Legislative Democrats passed the bill over these objections, but Governor Schwarzenegger responded by pledging to veto the bill because it excluded key elements he had sought (Wiegand and Yamamura December 19th 2008). In particular, Schwarzenegger sought to exempt highway projects from the state’s environmental laws and provide more opportunities for private contractors and investors to work on public projects (Smith 2008-12-08). The Democratic leaders entered into negotiations with the Governor, but by the end of the year they were still “far away” from a deal, according to Schwarzenegger’s spokesman (Yamamura 2008-12-08).

The deadlock between the Governor and legislative Democrats was a deviation from the pattern that had prevailed for most of the year, during which the major barrier to deficit reduction proposals had been legislative Republicans who opposed tax increases. In this case the absence of agreement between Schwarzenegger and Democrats blocked progress on resolving the budget crisis, rather than legislative Republicans. Before the December deadlock, over the course of the year Schwarzenegger had progressively moved closer to the Democrats' position on tax increases while Democrats had progressively moved closer to Schwarzenegger's spending cut proposals. In the absence of the 2/3rds requirement and the Republican minority, it seems quite possible that Democrats and Schwarzenegger could have reached a budget compromise that included tax increases in September or in November.

With the start of the new calendar year, the Schwarzenegger administration released its 2009-2010 budget plan (Smith 2009-01-01; Yamamura and Wiegand 2009-01-01; see Table 5.7, page 321), which was introduced in the legislature as AB-105 and SB-47 (CSL N.d.01, N.d.28). The Administration projected that the state now faced an astounding \$42 billion deficit for the upcoming year (Table 5.3, page 283). To address this, the Governor's plan built on his proposal from the previous month but added new elements, including a reduction in the dependent care tax credit, reducing the school year by five days and seeking to borrow nearly \$5 billion from private lenders (Smith 2009-01-01; Yamamura and Wiegand 2009-01-01). The Governor also incorporated a proposal from legislative Republicans to borrow money from special funds dedicated to mental health services and children's health services; this part of the plan would require voter approval since the funds were created by initiatives. The governor's plan also included a number of tax increases, meaning that the plan would need to overcome the 2/3rds requirement to raise taxes (Yamamura and Wiegand 2009-01-01).

Table 5.7 - Governor's Proposed Solutions for Budget Deficit, January 2009 (in billions)	
Deficit without Budget Solutions¹	-\$41.560
Budget Solutions:	
Expenditure Reductions	\$17.427
Revenues	\$14.286
Lottery	\$5.001
Borrowing	\$0.358
RAW's	\$4.673
Source: California State Governor (2009a).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

The 2008 elections had given Assembly Democrats four more seats, bringing them up to 51 out of 80, but they were still 3 votes short of a supermajority of seats (see Table 5.2, page 281). Senate Democrats continued to hold 25 out of 40 seats, 2 votes shy of a supermajority. Thus, to pass the plan Schwarzenegger needed to secure Republican votes for tax increases in both houses, which he had failed to do in the previous calendar year (Yamamura and Wiegand 2009-01-01). Furthermore, the timing to pass a budget package was limited, as the state was set to run out of cash by February.

Despite the release of the new proposal, Schwarzenegger continued to negotiate for a few days with Democratic leaders regarding the \$18 billion proposal they had passed in December (Yamamura 2009-01-04). The Governor was still pressing for Democrats to waive environmental restrictions on 11 road projects worth a total of \$1.2 billion in exchange for his signature. According to the Sacramento Bee, the waiver would allow Schwarzenegger to show support for business interests even as he was moving away from his no-taxes campaign pledge. However, hopes for a compromise ended abruptly on January 6th (Yamamura 2011-01-07).

Schwarzenegger vetoed the Democrats' bills after the Democrats sent the bills to the Governor in an apparent bid to force his hand. Schwarzenegger accused the Democrats of attempting to raise taxes without making sufficient cuts or offering Californians relief from the recession.

Another potential threat to the plan came from legislative Republicans and the Howard Jarvis Taxpayers Association, who filed a suit to block the Democrat's plan on the grounds that the tax-swap violated the 2/3rds rule for raising taxes. However, the lawsuit was thrown out the next day because the bills were never enacted (Yamamura and Wiegand 2009-01-08). For this reason, the issue of the legality of the Democrat's tax-swap plan was never settled.

Around the same time, in a special session of the legislature, lawmakers moved to pass a bill to revise the out-of-balance 2008 budget, as well as a bill for the 2009-2010 budget (CSL N.d.19, N.d.42, N.d.43; Wilson 2011). The Senate version of the 2008 budget revisions bill was passed in the Senate on a 29-to-1 vote (CSL N.d.43). The Senate also passed its version of the 2009 budget on a 29-to-1 vote, sending it to the other house for consideration (CSL N.d.42). The Assembly did the same, approving its version on a 48-to-0 vote (CSL N.d.19).

Meanwhile, Schwarzenegger called for a meeting with the four legislative leaders and pressed for a compromise centered on his 2009-2010 budget proposal (Yamamura and Wiegand 2009-01-08). The "Big 5" went into negotiations for several weeks, which were apparently kept secret in order to avoid interference from interest groups (Yamamura 2009-02-04). This marked a departure from previous years when public budget committee hearings had been held prior to negotiations between the leaders. While the secret negotiations commenced, legislative Democrats came under public pressure from environmentalists and labor leaders to not accept changes in workplace laws and environmental regulations that were being sought by Republican legislators (Yamamura 2009-01-27, 2009-02-04). On the other side of the aisle, Republican

legislators who signaled a willingness to consider tax increases came under attack by anti-tax groups, a top GOP official and the conservative talk-show hosts John and Ken (Goldmacher 2009-02-03; Yamamura 2009-02-04).

While negotiations were ongoing, the state was running low on cash (Wiegand 2009-01-25). Without an agreement in place, the Controller was forced to defer \$3.7 billion in payments, including refunds to taxpayers, financial aid for college students, and public assistance funds for counties (Smith, 2009-01-29; Wiegand 2009-01-25; Yamamura 2009-02-04). In response to the delayed payments, Sacramento County sought to sue the state and other counties considered withholding payments to the state (Kalb and Lewis 2009-02-05). Furthermore, Standards & Poor's downgraded California's credit rating to the lowest in the country (Yamamura February 4th, 2009).

On February 12th Governor Schwarzenegger and the four legislative leaders announced they had reached a tentative deal including \$15.8 billion in spending cuts, \$14.3 billion in tax increases and \$10.9 billion in borrowing (Yamamura, Smith and Sanders 2009-02-12). Two days later the Assembly and Senate convened to consider the plan, which consisted of 49 bills, of which the budget bill and the tax increases were subject to supermajority requirements (Wiegand, Yamamura and Sanders 2009- 02-15). The Assembly amended and approved the 2008 budget revisions bill (65-to-15) and approved the Senate's version of the 2009 budget (58-to-21) (CSL N.d.42, N.d.43). The Senate concurred with the Assembly's amendments to the 2008 budget revisions bill (CSL N.d.43).

Progress on the overall package of bills was slower in the Senate (Wiegand and Smith 2009-02-16; Wiegand, Yamamura and Sanders 09-02-15). On February 14th, the Senate voted to amend the Assembly's version of the 2009 budget, but then re-referred it to the BFR committee

(CSL N.d.19). Republicans insisted that the package of budget bills be reviewed by the Budget Committee before floor votes were held (Wiegand, Yamamura and Sanders 2009-02-15). A bigger challenge was that Democrats – who only had 24 Senate seats at this time – struggled to find 3 Republicans to vote for the package because of the tax increase that it included. On the 15th, the Assembly’s version of the 2009 budget fell two votes short of passage in the Senate (CSL N.d.19). The Senate also refused to concur with the Assembly’s amendments to its own version of the budget bill, 24-to-13 (CSL N.d.43). Only two Republican senators - Senate Republican leader Dave Cogdill and Senator Roy Ashburn - had committed to vote for the package (Wiegand and Smith 2009-02-16). Cogdill later explained that he backed the budget agreement, even though it contained taxes (and thus violated the no-tax pledge he’d made), because it was necessary to prevent the state from hitting “the bottom of the cliff...It’s the While Democratic lawmakers struggled to find the third Republican vote, the Governor announced 20,000 layoffs for state workers and the shutdown of hundreds of construction projects (Sanders and Yamamura 2009-02-16).

On February 19th, Republican Senator Abel Maldonado agreed to vote for the budget passage, allowing the Senate to pass it (Sanders, 2009-02-20; CSL N.d.42). Maldonado got two concessions for his vote (Sanders, 2009-02-20). First, Maldonado got the removal of a 12-cent increase in the gasoline tax from the package. Second, he got the legislature to place two constitutional amendments on the ballot, one to create an open primary system and another to prevent pay raises for legislators during deficit years. On February 20th, the Governor signed into law the revisions to the 2008 budget and the very early 2009 budget (CSL N.d.42, N.d.43).

While Maldonado had gained something in exchange for his vote, Senator Dave Cogdill paid a high price for supporting the package (Sanders and Yamamura 2009-02-18). In the midst

of the Senate's effort to pass the package of bills his position as Senate Republican leader was taken away from him by his caucus. Several days later, state party officer Jon Fleischman sought to persuade fellow members at the convention of the California Republican Party to censure all six of the Republicans who voted for the package (Goldmacher 2009-02-03; Hecht 2009-02-23). While the delegates did not vote to formally censure these lawmakers, they did vote to deny them funding for campaign mailers for the next election. Two of the Republicans who voted for the budget also faced recall campaigns.

By passing the budget package the legislature managed to avert the shutdown of 374 construction projects and allowed the state Controller to begin devising a plan to pay the \$3.3 billion in postponed payments to taxpayers, local governments and contractors (Sanders 2009-02-20). Schwarzenegger signed the budget after using his veto power to cut an additional \$519 million in spending, including cutting down the budget of Lieutenant Governor Garamendi's budget by more than half (Sanders and Ortiz 2009-02-21). But only a few weeks later, Legislative Analyst Mac Taylor announced a new budget shortfall of \$8 billion for the 2009-2010 fiscal year, even assuming that voters approved the ballot measures (Rau and Halper 2009-03-14; Sanders 2009-03-14). In response to the news, Republican leaders Villines and Hollingsworth indicated that Republicans would not vote for taxes again and would seek to reduce the projected deficit through spending cuts alone (Rau and Halper March 14 2009). On March 19th, Fitch Ratings downgraded California's bond rating to the lowest of the 50 states, right before a state bond sale was scheduled to begin (Yamamura 2009-03-20).

Meanwhile, many interest groups – from the SEIU to the Howard Jarvis Taxpayers Association – sought to defeat the ballot measures, for different reasons (Weintraub 2009-03-08; Yamamura 2009-04-14). The complicated bundling of different measures affected the decisions

of interest groups to oppose or support the propositions. The deal crafted by the legislature and the Governor had, in Proposition 1A, tied the spending cap and rainy-day fund to the extension of tax hikes. They were operating on the theory that including the tax hikes would dissuade organized labor from opposing the proposition. Similarly, the deal made the passage of Proposition 1B, which would give schools billions in additional payments, conditional on the passage of Proposition 1A in order to encourage teachers' unions to support 1A. Even if Proposition 1B got a majority vote, it would only take effect if Proposition 1A also passed.

This strategy was not very successful. The California Teachers Association opted to spend millions to support Proposition 1A and the other propositions in order to secure the passage of Proposition 1B (Yamamura 2009-04-14). 1A also gained support from the California Chamber of Commerce and the California Taxpayers Association (Sacramento Bee April 26th, 2009). However, the two-sided proposition became a magnet for opposition from both the left and the right. On the left, the California branch of the Service Employees International Union joined forces with the California Faculty Association and the California Federation of Teachers to campaign against Proposition 1A because of the spending cap (Yamamura 2009-04-14). The activist group Health Access also opposed the spending cap on the grounds it would lead to cuts in services (Sacramento Bee 2009-04-26; Weintraub 2009-03-08). From the right, the Howard Jarvis Taxpayers Association opposed Proposition 1A because of the tax extensions included in it. The California Republican Party Executive committee voted to oppose Proposition 1A and all of the other measures – even though Propositions 1D and 1E had begun as Republican proposals to shift funds out of mental health and early childhood care programs (Yamamura 2009-04-19). Mike Spence, head of the initiative committee, explained that they wanted to make a clear statement against the budget deal as a whole.

The outlook for the state budget grew worse as it gradually became apparent that voters would reject the ballot measures in the May 19th special election (Hecht 2009-04-29; Yamamura 2009-3-26). Early Field Poll results from March had shown that a majority supported the ballot measures, although voters indicated they were less likely to vote for Proposition 1A – the spending cap – when informed that the proposition also would institute tax increases (Yamamura 2009-03-03). By late April, a Field Poll showed that voters opposed all of the ballot measures except Proposition 1F, which would prevent pay raises for legislators when the state was running a deficit (Hecht 2009-04-29). The Field Poll also found that the majority of voters – 72% - saw a “no” vote as a way to “send a message to the governor and the state Legislature that voters are tired of more government spending and higher taxes” (quoted in Hecht 2009-04-29).

In his May Revision, the Governor said that, since the budget deal had passed in February, the state’s projected deficit had risen to \$21.3 billion deficit due to the worsening economy (California State Governor 2009b). His solutions for closing this shortfall included borrowing \$6 billion by issuing RAWs and \$5.6 billion in spending cuts (see Table 5.8, page 328). The Governor also laid out a contingency plan – with \$1.4 billion more in borrowing and \$2.3 billion in cuts to school spending – in case voters rejected the propositions (which was all but certain) (Yamamura and Wiegand 2009-05-15).

**Table 5.8 - Governor's Proposed Solutions for Budget Deficit, May 2009
(in billions)**

Deficit without Budget Solutions¹	-\$21.289
Budget Solutions:	
Propositions	\$5.846
Reorganization/Consolidation	\$0.050
Program Savings	\$5.560
Cuts Requiring Federal Waivers	\$0.750
Revenue Accelerations/Fees	\$0.989
Fund Shifts	\$0.105
Other	\$1.100
Borrowing	\$6.000
Change in Reserve	\$0.889

Source: California State Governor (2009b).

¹ Value indicates the remaining deficit after the enactment of the original 2009 budget act, due to deteriorating fiscal conditions. The estimate shown here is based on the assumption that voters would not approve several propositions on the May 19th ballot that would reduce the deficit.

On May 19th, 2009, voters rejected all of the propositions in the special election except 1F, the one that limited legislative pay raises during recessions (Wiegand 2009-05-20; Yamamura 2009-05-20). The fragile compromise crafted in February between Schwarzenegger and the legislative leadership had run aground against the will of the voters. Governor Schwarzenegger interpreted the election results as a message from “the people” to “Go all out and make those cuts and live within your means” (quoted in Sanders 2009-05-21). In other words, Schwarzenegger believed that Californians had clearly indicated they wanted more spending cuts and no more taxes. The upcoming GOP Assembly leader, Sam Blakeslee, had a similar interpretation. Democratic leaders, for their part, remained reluctant to close the entire deficit with cuts alone.

Following the special election, Schwarzenegger upped the ante by proposing another \$5 billion in spending cuts rather than borrowing the equivalent amount, as he had proposed in his

May revised budget plan (Yamamura 2009-05-27). Some of the proposed cuts were particularly dramatic: total elimination of CalWORKs and the Healthy Families program, the early release of about 19,000 nonviolent prisoners and the closure of up to 80% of state parks. Furthermore, Schwarzenegger cut off one option for borrowing by rescinding authorization for the Controller to borrow money through Registered Anticipation Warrants (Wiegand 2009-06-12). In this way, Schwarzenegger pushed for deep cuts. Democratic leaders responded to Schwarzenegger's proposed cuts by suggesting that the state use most of the funds in its rainy-day fund or raise new revenues instead of relying solely on cuts (Sanders 2009-06-10, 2009-06-11). The Republican Senate leader endorsed most of the cuts except the plan to release inmates (Ferriss 2009-06-10).

With the Governor and the Republican legislators in favor of an all-cuts approach, and the Democratic legislative majority in favor of mitigating spending cuts, California's government was set for yet another showdown over the budget. In this case, progress towards a budget agreement was being blocked both by divided government and the supermajority requirements. The Democratic majority crafted a package of budget-related bills that both legislative Republicans and Schwarzenegger opposed on the grounds that it created a tax on oil production and raised the cigarette tax and vehicle license fees (Sanders 2009-06-24). As expected, on June 24th Democrats in both houses failed to get 2/3rds of votes for their spending cuts bill, the first of 20 bills in the package (Wiegand, Sanders and Ferriss 2009-06-25). Republican legislators were angry that they didn't receive copies of the legislation until an hour before debate began.

The same day, the state Controller issued a press release saying that California faced ““a massively unbalanced spending plan and a cash shortfall not seen since the Great Depression”” (quoted in Wiegand, Sanders and Ferriss 2009-06-25). As a result, Chiang warned that, if the government failed to pass a budget by July 1st, then he would be forced to issue IOUs in lieu of

paying most of the state's bills. Only bondholders, schools and state workers would continue receiving cash payments, as required under state law. Worse, Chiang and the state Treasurer's office warned that issuing IOUs would make it even more difficult and expensive for the state to borrow money.

Despite the dire warnings from the state Controller and Treasurer, California's elected government failed to reach any agreement by the July 1st deadline (Yamamura, Wiegand and Sanders 2009-07-01). A last-ditch effort to forestall IOUs failed in the legislature (Wiegand, Yamamura and Sanders 2009-06-26). Three bills to make immediate cuts to schools and to delay payments – in order to free up cash – made it through the Assembly but were blocked by Senate Republicans (Wiegand and Yamamura 2009-06-30; Wiegand, Yamamura and Sanders 2009-06-26). Senate Republicans and Schwarzenegger opposed the bills on the grounds that they were only partial solutions that didn't resolve the budget crisis.

As the state began issuing IOUs, the Sacramento Bee reported that the Governor was deliberately pursuing a strategy of using the IOUs as leverage against the legislature to force an agreement (Yamamura 2009-07-02). The two Democratic leaders were furious with the Governor's approach, with Steinberg saying the Governor's opposition to the stopgap bills was "the most irresponsible act I have seen in my 15 years of public service" (quoted in Yamamura 2009-07-02). After the failure of these bills, an act to revise the 2009 budget was introduced in the Assembly, and passed on a 47-to-2 vote, enough to send it to the Senate, but 7 votes short of the number that would be necessary for final approval (CSL N.d.20). Meanwhile, relations between Democrats and the Governor soured even further when Schwarzenegger proposed a suspension of Proposition 98, the measure which guarantees funding for schools (Sanders July 3, 2009).

As the gridlock continued into July, California's credit rating was downgraded again by Fitch and then by Moody's (Yamamura 2009-07-07; Yamamura and Ortiz 2009-07-15). Furthermore, most large banks except for Citi and Bank of the West refused to take IOUs after July 10th (Kasler 2011-07-11). The Governor and the Democratic leaders finally reached an agreement on July 20th, after devising a way to reduce school funding without voting to suspend Proposition 98 (Yamamura 2009-07-21; Yamamura and Sanders 2009-07-16). On the 24th both houses of the legislature managed to pass the budget package (Hecht and Wiegand 2009-07-25). The budget revision bill received 27 votes in the Senate and 56 votes in the Assembly (ABX4-1 Budget Act of 2009: revisions. 2009-2010. Bill History). It was signed by Schwarzenegger on July 28th after he made \$500 million more in cuts through his line-item veto power (CSL N.d.20; Wiegand 2009-07-29). The budget package re-balanced the 2009-2010 budget, but at the cost of \$16 billion in spending cuts (Wiegand 2009-07-29). State officials hoped that the enactment of the revised budget package would be sufficient to persuade lenders to allow California to borrow upwards of \$8 billion so that the state could stop paying its bills with IOUs.

To summarize, the 2009 budget process was highly unusual, highly conflictual, and ultimately resulted in a month-long and painful budget delay. The problems with the 2008-2009 budget, the worsening recession, and gridlock in the legislature led to a unique crisis in early 2009; the state government urgently needed to both revise the 2008-2009 budget and enact a 2009-2010 budget. However, the 2009-2010 budget deal subsequently fell apart with the intensification of partisan conflict, voters' rejection of the ballot initiatives (essential to the deal), and a worsening recession. Moreover, it is likely that the 2009-2010 budget would have been even further delayed had Democrats not conceded to massive spending cuts as a way to end the IOUs and deferred payments.

Thus, the fact that the state government enacted an exceptionally early budget in 2009 should not be seen as an indicator of efficient governance; dire fiscal conditions pressured legislators towards a fragile compromise, despite polarization within the legislature (Sanders, 2009-02-20; Yamamura 09-02-04; Yamamura and Wiegand 2009-01-01, 2009-01-08; Yamamura, Smith and Sanders February 12th, 2009). Moreover, the dire fiscal conditions were in part due to the fact that partisan conflict in the previous year had resulted in a badly designed budget, and the ideologically polarized parties could not agree on how to fix it until fiscal conditions became so bad that a few Republican legislators cut a deal that produced another flawed budget. While the massive state deficit and cash crunch made lawmakers more willing to compromise at the two key crisis points in January-February 2009 and July 2009, it exacerbated partisan conflict in general. Additionally, while the delay in passing and signing the revised budget was not as severe as the budget delays of the previous two years (Table 5.1, page 280) – the consequences of the delay were even more severe, since this time the state was so low on cash that it had to issue IOUs. Lastly, the acrimony from the 2009-2010 budget conflict spilled over into the next year’s budget process, which will be discussed in the subsequent section.

My broader theory of political decision-making is strongly supported by my analysis of the 2009-2010 budget process. The combination of veto points in the budget process, divided partisan control, and high polarization between Democrats and Republicans exacerbated partisan conflict and shaped its direction, in that the Republican minority was able to obstruct the budget process and force Democrats to concede to huge cuts. Furthermore, over the course of the budget process, ideological polarization between legislators appears to have intensified. In particular, after Republican legislators who voted for taxes in February came under attack by their co-partisans, the Republicans hardened against any further tax increases. In this way the distance

between Republicans and Democrats increased, making compromise even more difficult.

Governor Schwarzenegger also swung to a more conservative position after the rejection of the ballot initiatives, further widening the gulf between the parties.

The 2010-2011 Budget Process

Although not as severe as the previous year, the state's fiscal outlook remained dire; the LAO's November 2009 report estimated a \$21 billion deficit for the next fiscal year, while the Governor's projection was at \$19.9 billion (Table 5.3, page 283). In his January budget plan, the Governor proposed to close the gap with further spending cuts, revenue shifts and an infusion of federal funds (Wiegand 2010-01-08; Yamamura 2010-01-09; see Table 5.9, page 334). He proposed billion-dollar cuts to school administration and prisons and across-the-board pay and benefit cuts to state workers as an alternative to furloughs. Schwarzenegger said he refused to raise taxes. However, he did seek to swap the current sales tax on gasoline for an increase in the excise tax on gasoline. Since mandatory funding formulas for schools and transportation were based in part on sales tax revenues, the tax swap would allow the government to spend less on schools and transportation while also reducing gas prices by an estimated 6 cents per gallon. The governor's budget plan was introduced to both houses of the legislature (CSL N.d.04, N.d.41). Schwarzenegger also called for a special legislative session to deal with the current fiscal emergency, asking the legislature to come up with \$8.9 billion in solutions within 45 days (Yamamura 2010-01-09).

**Table 5.9 - Governor's Proposed Solutions for Budget Deficit, January 2010
(in billions)**

Deficit without Budget Solutions¹	-\$19.880
Budget Solutions:	
Expenditure Reductions	\$8.509
Federal Funds	\$6.913
Alternative Funding	\$3.886
Fund Shifts and Other Revenues	\$0.572

Source: California State Governor (2010a).

¹ Value includes both the estimated deficit for the *current* fiscal year and the estimated deficit for the *upcoming* fiscal year. It also includes the allocation of money for the state's reserve fund.

With his 2010 budget proposal, Schwarzenegger had aligned himself more closely with the goals of the Republican caucus and moved away from the middle-ground position he had maintained in previous years (Yamamura 2010-01-09). The budget proposal pleased legislative Republicans because it did not include any tax increases, although Republicans opposed the governor's suggestion to cut prison spending and suspend some business tax credits. On the other side, Democratic leaders Steinberg and Bass voiced strong opposition to the Governor's budget proposal. The stage was set for a partisan conflict over the budget, with the Democratic majority in the legislature facing off against the Republican minority and the Governor, and with neither side capable of passing a budget on its own.

Responding to the Governor's budget plan, the Legislative Analyst's Office took issue with its assumptions and said chances of receiving a projected \$8 billion in federal aid were "almost nonexistent" (quoted in Yamamura 2010-01-12). The Office instead expected that the state would receive several billion dollars less than projected from the federal government. Standards & Poor's also challenged the budget's assumptions and decided to downgrade California's credit rating based on the state's deficit and cash crunch (Kasler 2010-01-14).

By late February, legislative Democrats had crafted a \$5 billion stopgap plan without major cuts to healthcare and other social services that Schwarzenegger had proposed (Yamamura 2010). According to the Sacramento Bee, Democratic legislators delayed action on spending cuts because they wanted to avoid a repeat of the previous year, in which the governor and legislature produced one of the earliest budgets in state history in February only to have the budget fall apart by May. Democratic leaders hoped that the revenue outlook would improve by the time the Governor issued his revised budget in May 2010, meaning that fewer cuts would be necessary. Finally, Democrats may also have sought to delay tough decisions so that they would not offend key interest groups before the June 8th primary elections.

The stopgap plan was crafted to avoid the 2/3rds rule for passing budgets, consisting mostly of bills that required a simple majority vote for passage (Yamamura February 21, 2010). The stopgap plan included a new version of the gas tax swap that Democrats had proposed in previous years and Schwarzenegger proposed in his budget. Democrats sought to eliminate the state's sales tax on gasoline and increase the excise tax on it, but unlike Schwarzenegger's proposal they also sought to reduce corporate tax breaks (Yamamura 2010, February 17) and preserve funding for schools and transportation (Wiegand 2010-03-04). As on previous occasions, Democrats contended that the proposal was revenue-neutral and therefore could be passed with a simple majority rather than 2/3rds. Senate GOP leader Hollingsworth saw the bill as "an absolute assault on Proposition 13" (quoted in Wiegand 2010-03-04). The Democrats also sought to defer \$1 billion in payments to ensure the state had enough cash on hand through April, to reduce spending on prisoner medical care by \$811 million, and to reduce state payroll expenses by 5% (Yamamura 2010-02-21).

On February 22nd the legislature sent a number of bills to Schwarzenegger but held off on passing the gas-tax swap bill because Schwarzenegger had threatened to veto it over the cuts to business tax breaks (Yamamura February 23rd, 2010). A month later Democrats and Schwarzenegger managed to reach an agreement (Yamamura 2010-03-23). Schwarzenegger signed the gas-tax swap bill, saving the state \$1.1 billion, and in exchange Democrats passed a homebuyer credit and sales-tax break for environmental tech firms that Schwarzenegger wanted. Thus compromise between legislative Democrats and Schwarzenegger was achieved, but only because Democrats had managed to skirt the 2/3rds rule in the special session and thus did not need Republican votes. When it came time to pass the actual budget package they would have to deal with Republican legislators in addition to the Governor.

By mid-May the projected deficit had decreased by only a small percent from January, from \$19.9 billion to \$19.1 billion (Yamamura 2010-01-09 Yamamura 2010-05-15). A major reason that the projected deficit had not decreased more was that the state had received less than half of the \$6.9 billion in federal aid than had been estimated in the January budget plan (Yamamura 2010-05-12). Another reason was that the state collected less in revenues in April than it had projected (Sacramento Bee 2010-05-08). Finally, the legislature had also rejected several solutions that Schwarzenegger had proposed, such as a new tax on insurance policies and speeding cameras at intersections to boost revenue (Yamamura 2010-05-12).

In his May revised budget, Schwarzenegger called for “absolutely terrible cuts”, as his press secretary described them (quoted in Yamamura 2010-05-12), including the elimination of CalWORKs, cuts to state-subsidized childcare and cuts to in-home care for elderly and disable people (Yamamura and Ferriss 2010-05-14; see Table 5.10, page 337). Schwarzenegger also said he would only sign a budget if it contained provisions for a rainy-day fund and reduced pensions

for future state workers (Yamamura and Ferriss 2010-05-14). Senate President Pro Tem Steinberg staked out an opposite position, refusing to cut CalWORKs and saying pension reform would not help reduce the current-year budget deficit (Yamamura 2010-05-15). Instead of cutting welfare, Steinberg said the government should extend tax hikes that were set to expire in 2011 and suspend corporate tax breaks. The non-partisan legislative analyst also backed tax increases as an alternative to eliminating CalWORKs (Sanders 2010-05-19). (It's worth noting that Schwarzenegger projected a slightly smaller deficit at this point than he had in January [see Table 5.3, page 283]).

Table 5.10. Governor's Proposed Solutions for Budget Deficit, May 2010 (in billions)

Deficit without Budget Solutions¹	-\$19.142
Budget Solutions:	
Expenditure Reductions	\$12.368
Federal Funds	\$3.382
Alternative Funding	\$1.278
Fund Shifts and Other Revenues	\$2.114

Source: California State Governor (2010b).

¹ Value indicates the remaining deficit after the legislature had adopted \$13.4 billion in budget solutions since the Governor's January 2010 budget proposal.

In response to Schwarzenegger's proposal, Senate Democrats and Assembly Democrats came out with alternatives. The Senate Democrats' proposed \$4.9 billion in taxes and fees instead of cuts to welfare (Yamamura 2010-05-25). The Assembly Democrats' budget plan went further, rejecting all of the social service cuts that Schwarzenegger proposed (Yamamura 2010-05-26). Instead, the Assembly Democrats called for \$9 billion in borrowing, to be paid off over 20 years by a new oil tax, suspension of corporate tax breaks and a \$500 million loan for the

state's disability insurance fund. However, the state's Attorney General, Jerry Brown, soon warned that the Assembly's borrowing plan could be deemed illegal under Proposition 58, which prohibited various kinds of borrowing by the state (Sanders 2010-06-17).

In June a joint conference committee met to craft the budget, but progress was slowed not only by the fundamental opposition between Democrats and Republicans over new taxes but also by the lack of consensus between the two Democratic caucuses (Sanders, June 15 2010; Walters 2010-06-22; Yamamura July 30th 2010). The main differences between the Senate and Assembly plans concerned revenue sources, education spending and the Assembly's legally questionable borrowing plan (Yamamura 2010-06-27). The conference committee had not resolved the disagreement by the June 15th constitutional deadline for the legislature to pass a budget (Sanders, June 15 2010) and then completely stalled over the lack of agreement over revenues (Yamamura June 30th 2010). One lawmaker, Democratic Senator Denise Ducheny, took issue with the constitutional deadline, saying it was unrealistic to have a budget agreement by June 15th given that legislators do not receive reliable revenue projections before May 15th (Sanders, June 15 2010).

On June 30th the two Democratic leaders, Assembly Leader Perez and Senate President Pro Tem Steinberg, announced they had reached agreement on a budget plan with a new tax on oil production and delays in corporate tax breaks (Yamamura 2010-07-01). However, few details of the plan were publicly released (Yamamura 2010-07-03). Steinberg and Perez also announced they wanted to enter into regular closed-door negotiations with the Governor and Republican leaders (Yamamura 2010-07-01). The Republican leaders adopted Schwarzenegger's plan as their own with some modifications, including removing the proposed tax on insurance policies (Yamamura 2010-07-03).

With the start of the fiscal year and without a budget in place, the state began withholding payments to state vendors, community colleges and local governments (Yamamura 2010-06-20). However, since lawmakers had passed legislation earlier in the year that delayed payments to schools and local governments, they had postponed the state's need to issue IOUs until late August at the earliest (Yamamura 2010-07-28). For this reason lawmakers were under less pressure to reach an agreement than in the previous year, when IOUs were being issued in July. While the four legislative leaders were meeting regularly throughout July, most lawmakers went on summer recess (Yamamura 2010-07-03, 201007-15, 2010-07-28). Little if any progress had been made by the end of July (Yamamura 2010-07-28).

While the four leaders were engaged in discussions, Schwarzenegger was involved in a legal battle with the State Controller, John Chiang. In the absence of a budget agreement by the start of the fiscal year, Schwarzenegger ordered pay for most state workers to be temporarily reduced to the minimum wage, with the difference to be paid back later (Ortiz July 2nd 2010). Schwarzenegger was, in part, acting on a state Supreme Court decision that determined the state must withhold pay beyond the minimum wage in the absence of ongoing appropriations for pay (Ortiz and Yamamura July 3rd 2010). However, Schwarzenegger's order notably exempted state workers from unions who had already reached agreements with the governor. In this way, the move appeared to be intended to put pressure on the other unions who had yet to reach deals with the governor (Ortiz July 2nd 2010).

Schwarzenegger's order was bolstered by a victory in court (Ortiz 2010-07-02): the 3rd District Appeals Court upheld Schwarzenegger's decision to reduce state worker's pay to the minimum wage in 2008. State Controller Chiang, who had refused to comply with Schwarzenegger's order, lost the case. However, Chiang vowed to sue to block

Schwarzenegger's latest order on the grounds that the state's payroll system could not comply with the order without breaking other laws (Ortiz and Yamamura 2010-07-03). Schwarzenegger, in turn, filed suit with the Sacramento Superior Court to force Chiang to comply with the order (Smith 2010-07-06). On July 16th a Sacramento Superior Court Judge delayed the order until a full hearing could be held on the issues raised by Chiang, delivering a temporary victory for Chiang and state workers (Ortiz 2010-07-17). However, Schwarzenegger subsequently ordered most state workers to take three furlough days a month until a budget was passed (Ortiz 2010-07-29).

On August 2nd state legislators returned to work after taking a month-long recess (Van Oot 2010-08-02). The next day Democratic leaders finally unveiled a detailed budget plan with the support of both caucuses (Yamamura 2010-08-04, 2010-08-15). It should be noted that this budget plan came 48 days after the constitutional deadline for the legislature to pass a budget.

A new element in their plan was a tax-swap – raising income and vehicle taxes while lowering the sales tax, which Democrats claimed would result in lower tax burdens overall (Yamamura 2010-08-04). The Schwarzenegger Administration and Republican lawmakers disagreed, and Schwarzenegger's Department of Finance estimated that 57% of taxpayers would pay more taxes overall under the Democrats' plan (Walters 2010-08-03; Yamamura 2010-08-04). The nonpartisan Legislative Analyst's Office own analysis also indicated that the tax swap plan would raise taxes on the middle class, contrary to Democrat's claims (Yamamura 2010-08-12). Responding to these criticisms, Democrats later revised their plan so that it would not raise average taxes for any income group, a contention backed by the LAO (Yamamura 2010-09-04).

The continuing absence of a budget meant that nearly one-tenth of the state's bills, \$3.3 billion, were not paid through the end of August (Yamamura 2010-08-29). Those affected by

payment delays included state vendors, community colleges, healthcare providers that serve Medi-Cal patients, Cal-Grant recipients and furloughed state workers (Yamamura 2010-08-29). Vendors that conduct business with the state stopped receiving payments with the start of the fiscal year, worth a total of \$1.8 billion withheld through the end of August, on which they be owed interest. A reserve fund for Medi-Cal recipients ran dry by the end of August, meaning over 1,000 facilities serving Medi-Cal patients stopped receiving payments (Van Oot 2010-08-20; Yamamura 2010-08-29). Cal-Grants were delayed until a state budget was approved, which had a negative impact on eligible students at institutions that could not afford to advance the aid such as most of California's community colleges (Rosenhall 2010-08-20).

By September 1st – officially the final day of the legislative session - legislative leaders and the Governor had still not reached an agreement (Yamamura 2010-09-01). They did, however, agree to hold floor votes on the competing Democratic and Republican spending bills (Yamamura 2010-08-30). The Democratic proposal included the tax swap, a new tax on oil production and delays of corporate tax benefits, which were opposed by Republicans. The Republican plan included the elimination of CalWORKs, cutbacks on Medi-Cal services and a reduction in state workers' pay, measures opposed by Democrats. The alternative Democratic and Republican plans failed on mostly party-line votes (Yamamura 2010-09-01). In the Assembly, the Democratic plan got 50 votes while the Republican plan got 25 votes (CSL N.d.04, N.d.40). In the Senate, the Democrats' plan was voted down 21-to-14, while the Republicans' plan received only 12 votes (CSL N.d.05, N.d.06). The failure of the Democrats' budget bills indicated, again, that the regular legislative process was incapable of producing a budget package that could win enough votes to overcome the supermajority requirement.

On September 2nd the Governor held a “Big Five” meeting with the four legislative leaders to push for a resolution (Yamamura 2010-09-03). However, further negotiations were delayed because the Governor went on a six-day trade mission to Asia and then got sick upon his return (Yamamura 2010-09-22). On September 22nd budget talks finally resumed after the four legislative leaders flew to LA to meet with an ill Governor in his hometown. After two days of talks the “Big Five” announced they had the “framework” of an agreement as the current budget delay surpassed the previous record (Van Oot 2010-09-23; Yamamura 2010-09-24). For several more days the leaders remained divided over pension reform and several tax breaks sought by the Republican leaders (Yamamura 2010-09-28, 2010-09-29). Then, on October 1st, leaders finally announced they had reached a deal and scheduled a vote for the following week (Yamamura 2010-10-02).

On October 7th both houses convened and worked through the night (Van Oot 2010-10-07). The Assembly amended a budget-related bill to be the main budget bill (SB-870), and then passed it on a 57-13 vote (CSL N.d.39, 2010-10-07). The budget was briefly held up in the Senate due, in part, to the absence of three Democratic senators – two due to illness and one who was facing charges of fraud for not residing within his district (Sanders and Van Oot, 2010-10-09; Yamamura and Van Oot 2010-10-08). The next day the Senate finally passed the budget on a 27-to-9 vote (just enough votes), and the Governor Schwarzenegger signed the latest budget in state history (CSL N.d.39; Wilson 2011; Yamamura and Van Oot 2010-10-08). In the end, Democrats had yielded to Schwarzenegger’s demand for pension reform and negotiated an agreement with SEIU to reduce pension benefits for future workers (Yamamura and Van Oot 2010-10-08). Democrats also did not get their tax swap proposal, although they did manage to suspend a corporate tax break worth \$1.2 billion (Yamamura 2010-10-07). The Governor did not

get the wholesale elimination of welfare and community mental health services that he had proposed, but the budget did cut nearly \$1 billion from health and social services.

Not only was the budget late, but like previous budgets it relied on questionable moves and assumptions that set the stage for future deficits. For example, the budget projected \$5.3 billion in federal aid although the state had only secured \$1.3 billion so far (Yamamura 2010-10-07). The budget also delayed \$1.7 billion in payments to schools to the next budget and assumed large reductions in expenses on prisons.

On November 10th the Legislative Analyst's Office projected a current-year shortfall of \$6.1 billion, due in part to the faulty assumptions in the budget (Van Oot 2010-11-12). In response, Schwarzenegger announced another special session for December, after new legislators were sworn in but before the end of Schwarzenegger's term in office. In December the legislature considered a new proposal from Schwarzenegger but Senate President Pro Tem Steinberg indicated that his caucus would wait to forge an agreement with the new Governor (Van Oot 2010-12-10).

As this narrative has shown, California's government experienced record-long gridlock over the 2010-2011 budget. This outcome can be explained, in part, by factors that were present in previous years. First, California's politicians remained ideologically divided along party lines, with Republicans committed to preventing further tax increases and Democrats committed to preventing cuts to social services. Second, the veto points in the budget-making process (particularly the supermajority requirement to pass budgets), in combination with divided partisan control, prevented Democrats from enacting a budget without gaining Republican votes and the Governor's signature. Third, legislators and the Governor pursued strategies of brinkmanship, starting from extreme negotiating points and then trying to use the budget delay as

leverage to gain the maximum amount of concessions. In this regard, the existence of the supermajority requirement meant that both Democrats and Republicans could blame each other for the delay and thus deflect responsibility for pushing budget gridlock so late into the year.

However, to account for why the gridlock in 2010 was exceptionally lengthy, it is necessary to go beyond the forces that have promoted gridlock in general and consider factors that were specific to 2010. First is the shift of Governor Schwarzenegger's position vis-à-vis the Democratic and Republican legislators. Whereas in 2007 through early 2009 the Governor staked a position between the parties on budgetary issues, from mid-2009 on Schwarzenegger aligned himself closely with his fellow Republicans in the legislature. This shift in Schwarzenegger's position, in turn, prompted Democrats to make a strong show of opposition to the Governor and his party.

Second, pressure to end the delay was less than in the previous year, when the state was forced to issue IOUs. The state managed to avoid IOUs not only because economic conditions had improved (Yamamura 2010-09-10) but also because the legislature pre-emptively took actions to forestall them by passing legislation to delay payments to schools and social services (Yamamura 2010-07-28, 2010-10-08). Clearly lawmakers had responded to the issuance of IOUs in 2009 by trying to prevent this from occurring again. But the consequence of this move, intended or unintended, was to reduce pressure for an agreement to be made by reducing the consequences of delaying the budget past the start of the fiscal year.

A third factor that contributed to the gridlock in 2010 were the disagreements between the two Democratic caucuses, which delayed the release of a detailed Democratic budget plan into early August. In the previous three years it had not taken so long for Democrats to forge a joint budget package. In summary, the Governor's more partisan stance, the absence of the threat

of IOUs and disagreements between Democrats all contributed to why budget gridlock in 2010 was record-setting.

Conclusion

In this chapter I have engaged in a narrative analysis of each budget process that occurred under Governor Schwarzenegger. Applying my overall theory of political decision-making, I have argued that the confluence of three conditions made gridlock a probable outcome during the Schwarzenegger years: the presence of multiple veto points in the policymaking process; divided partisan control of governmental institutions; and the high degree of alignment between parties, social groups and ideologies. Specifically, veto points – especially the budgetary supermajority requirement – made enacting budgets more difficult, while divided partisan control placed Republicans in a position to utilize the supermajority requirement to obstruct the budget process. At the same time, Democrats and Republicans were polarizing along lines of social cleavages and in terms of ideology. This collision between conditions that required bipartisan compromises – the veto points and divided partisan control of them – with a high degree of polarization that inhibited bipartisan compromises created a perfect storm. The confluence of these conditions led to intense partisan conflicts over the budget in which the legislative minority had disproportionate power to get its way, thus increasing the overall level of gridlock during this time period.

While the budgetary supermajority requirement was the key veto point in this period in terms of understanding why budgets were so delayed, the supermajority requirement for taxes also played a role at particular moments. The supermajority requirement for tax increases made it harder for the legislature to utilize one of the principal means by which governments can respond

to budget deficits. Under the conditions of high partisan polarization, the supermajority requirement for taxes made it effectively impossible for Democrats to utilize this solution. For example, in 2008, the Republican Governor was willing to compromise with legislative Democrats on raising taxes, but they could not accomplish this goal because of opposition from Republican legislators.

Partisan polarization in the legislature intensified during the Schwarzenegger years, leading to the record-breaking gridlock of 2010 (Lin 2008-07-10, 2008-07-19; Rau and Halper 2009-03-14; Sanders 2008-12-16; Sanders and Lin 2006-12-05; Schultz 2006-10-10). Republicans faced intense pressure from anti-tax organizations, Republican activists, and their colleagues to resist budget compromises – to oppose all tax increases and push for larger spending cuts (Benson 2007-04-10; Furillo 2006-02-15, 2006-02-27; Goldmacher 2009-02-03; Hecht 2009-02-23; Lin 2007-12-30; Morain 2010-06-17; Sanders 2008-08-28; Sanders and Yamamura 2009 02-18; Schultz 2006-11-10; Yamamura 2009-02-04). The efforts of Americans for Tax Reform to get Republicans to sign on to, and remain committed to, its no-tax-increase pledge stand out as a major mechanism reinforcing polarization (Benson 2007-04-10; Lin 2007-12-30; Sanders 2008-08-28; Yamamura 2009-02-04).

Democratic legislators also faced some pressure to resist agreeing to spending cuts and regulatory changes – from social service advocates, the education lobby, etc. – but to a lesser extent in both the level of pressure and its apparent effects (Yamamura 2009-01-27, 2009-02-04). What occurred during this period is better characterized as *asymmetric polarization* (Mann and Ornstein 2013:51), a particular feature of this case that I did not hypothesize as part of my broader theory. If the middle ground solution for budget deficits is thought of as some mix of tax/fee increases, spending cuts, and borrowing, it is clear that Republicans moved further away

from that middle ground than Democrats over the course of Schwarzenegger's governorship, with the party lining up behind a hardline position against any tax increases and in support of massive spending cuts. This asymmetric polarization was arguably reinforced by the divergence in the bases of the two parties, as Democrats to a much greater extent represented interest groups and demographic groups that were hurt by budget gridlock such as state workers and poorer communities. Democrats, then, had far more reason to compromise to end budget delays than Republicans, as well as being less ideologically rigid on taxes and spending cuts.

Variation in the length of budget delays can be attributed, in part, to this increasing polarization in the legislature over the course of Schwarzenegger's terms, specifically due to Republicans hardening their anti-government conservative stance. Republican legislators were more conservative during Schwarzenegger's second term than his first term, due to party pressure and changes in occupancy of seats in the legislature (which were not mutually exclusive causes). Activists, interest groups and Republican officials became less tolerant of Republican legislators who compromised with Democrats and more mobilized around punishing those who did compromise. Partially as a result, but also for their own ideological reasons, Republicans became less willing to engage in horse-trading and more committed to an obstructionist strategy, using the failure to enact a budget by the start of the fiscal year as a cudgel against Democrats. Again, this tactic was effective because of the differences between the bases of the two parties; the consequences of budget gridlock – such as worker furloughs, postponed aid to students and welfare recipients, and so on – fell disproportionately on Democratic-aligned groups.

While partisan polarization increased overall during this period, it should be noted that this was not true for Schwarzenegger himself; the Governor shifted his stance on fiscal policy several times in reaction to public opinion or, perhaps more accurately, his interpretation of

public opinion. When first coming into office, Schwarzenegger took a strong stance against tax and fee increases and in favor of spending cuts (though still more moderate than legislative Republicans). Then, after the 2006 election, he tempered this stance (Delsohn 2006-01-11) and – as fiscal conditions grew worse – even became open to some tax increases. After his ballot initiatives were rejected in May 2009, he shifted in a conservative direction, finally aligning himself with the hardline stance of the rest of his party. Thus, it is hard to characterize Schwarzenegger’s overall ideological position, and it doesn’t fit with the overall trajectory of California partisan politics nor the implications of my theory.

In my analysis of the actual budget processes, Schwarzenegger’s ideological changes are important for understanding the contours of budget conflicts, but seemed to matter much less for the outcomes of these conflicts. The basic fact is that the Governor’s formal power in the budget-making process – his ability to either sign or veto budget bills – was blunted by the presence of the supermajority requirements in the legislature. Any budget bill that received a 2/3rds vote from the legislature could theoretically also overcome the governor’s veto, since it takes 2/3rds of the legislature to override a veto. Thus, Schwarzenegger’s veto threats mattered only indirectly, insofar as they influenced the decisions of legislators to vote for or against the budget to avoid the embarrassment of a veto. Schwarzenegger’s shifting ideological positions would have mattered more in a context where his veto was a more significant mechanism for exerting power over the budget. Schwarzenegger was often ineffective in crafting bipartisan compromises (for reasons, discussed below, beyond the structural features of the process), and thereby staving off or reducing budget delays.

Likewise, Schwarzenegger’s shifting policy positions are not correlated (for the most part) with variation in the length of budget delays. In his second year in office (2005) he shifted

to the right in his expressed views, echoing conservative anti-tax rhetoric about “starving the beast”. Nonetheless, there was only a relatively short delay in enacting the budget in that year. In 2007, Schwarzenegger shifted to a more moderate position on the budget, calling for both spending cuts and tax increases. Yet Schwarzenegger’s more moderate stance did not facilitate compromise between Democrats and Republicans, because by this time the Republican caucuses had shifted in the other direction, becoming more adamant that deficits required drastic spending cuts. However, Schwarzenegger’s policy shifts contributed to gridlock late in his term, when he reinforced the obstructionist strategy of the Republican caucuses.

In addition to supporting key elements of my theory of political decision-making, my narrative analysis of the budget process in the Schwarzenegger years shows the importance of several factors that were not anticipated by my broader theory: shifts in fiscal conditions and shifts in intra-party relations between the Governor and members of his own party. These factors (in addition to increasing polarization, mentioned above) help account for the variations in budget gridlock from year to year during Schwarzenegger’s governorship. First, in years where there was a large budget deficit, this deficit tended to exacerbate partisan conflict and, in turn, lengthen budget delays (Table 5.3, page 283). In contrast, a budget surplus made reaching a budget deal easier in 2006, and led to the only on-time budget of Schwarzenegger’s time in office. Despite considerable disagreements between Democrats and Republicans on a range of issues, the windfall tax revenues meant that legislators did not need to make difficult choices between large cuts to spending, tax increases or continued borrowing.

However, my narrative analysis has shown (expanding on Table 5.3) that there is not a linear relationship between the size of budget deficits and the level of budget gridlock. On the one hand, the 2007 budget process was highly conflictual and led to a 54-day delay, despite the

deficit being smaller than in 2004 and 2005. It is true that, over the course of early 2007, the fiscal outlook for the upcoming fiscal year worsened, but the overall size of the projected deficit was larger in 2005 (Bluth and Yamamura 05-17-05; Lin 2007-05-16). On the other hand, the fiscal crisis in early 2009 *contributed* to the willingness of Democrats and a few Republicans to compromise on a budget deal. Here the massive deficit, and the additional element of the looming cash crisis – that the state was almost out of money to pay its bills – seemed to convince a few Republicans to cross party lines to get an early budget deal. Nonetheless, given the high degree of partisan polarization, large budget deficits tended to be a source of partisan conflict; legislators would respond by staking out opposing partisan positions rather than working more urgently to reach compromise across party lines.

If we set aside 2009 as a special case that cannot be compared with other years, variation in the lengthiness of gridlock between Schwarzenegger's first term and second term is at least roughly associated with variation in the severity of the state's fiscal crisis (compare Tables 1 and 3). As the state recovered from the recession of the early 2000s, and tax revenues increased, budget gridlock eased to a low point in 2006. With the precipitous drop in revenues caused by the economic recession of the late 2000s, budget gridlock then soared to historic levels. However, again, note that gridlock was less in 2005 than in 2007, despite the deficit being higher in the earlier year (Bluth and Yamamura 05-17-05; Lin 2007-05-16). Other changes in conditions, besides the worsening fiscal outlook, led to the surge in gridlock in Schwarzenegger's second term (2007-2010; see Table 5.1, page 280).

In addition to fiscal conditions, my narrative analysis indicates that variation in budget gridlock during the Schwarzenegger years was mediated by the Governor's relations with Republican legislators. Governor Schwarzenegger's poor relations with the Republican caucuses

after the 2006 election – due in part to their perception that he was too moderate – meant that the Governor and Republican legislators did not form a united front against Democrats on the budget in 2007 and 2008. Conversely, it also made it more difficult for the Governor in these years to play an effective role in crafting compromises. At critical moments early in his second term the Governor and the Democratic majority in the legislature achieved bilateral compromises only to have progress on budgets blocked by legislative Republicans (Yamamura 2007-06-27). Later in his second term relations between the Governor and legislative Republicans improved as Schwarzenegger shifted back to a more conservative position; yet this contributed to a higher level of gridlock in his last year in office by exacerbating partisan conflict and legislative Republicans’ resistance to compromise.

As a final note, my narrative analysis reveals two key dynamics that recurred in conflicts over the budget, and have been mentioned above but deserve to be highlighted separately: brinkmanship and crisis-as-leverage. First, legislative Republicans and the Governor, and to a lesser degree legislative Democrats, chose to engage in a strategy of brinkmanship over the budget. By brinkmanship, I mean the strategy of staking out extreme policy positions ahead of a deadline, with the goal of holding out as long as possible in order to extract concessions. Brinkmanship contributed to budget gridlock because actors who pursued this strategy purposefully delayed work on making compromises until the deadline was imminent, putting off the difficult work of horse-trading. As discussed earlier, the decision to engage in brinkmanship was influenced by legislator’s ideological positions, party pressures, and interpretations of the severity of the fiscal crisis (again, in a non-linear fashion).

Beyond brinkmanship, Republicans in particular pursued a second strategy which is best called *crisis-as-leverage*. This strategy involved purposefully extending budget delays in an

attempt to force the other side to concede to an increasing number of concessions. As implied in the prior discussion, the use of this strategy was asymmetrical largely because the consequences of late budgets fell disproportionately on Democratic-aligned groups. The clearest illustrations of *crisis-as-leverage* were the 2009 and 2010 budget processes. In July 2009, it was only after the state was forced to issue IOUs and the severity of the fiscal crisis reached a high point that Democrats reached a compromise with Republicans, while in 2010 Republicans held out until mid-Fall before finally supplying the necessary votes for the budget.

In summary, my theory of political decision-making is highly useful for explaining the record-breaking budget gridlock that occurred under Governor Schwarzenegger. The confluence of the three conditions described by my theory – multiple veto points, divided partisan control, and increasing partisan polarization – led to intense partisan conflicts in which one side was both willing and able to obstruct the policymaking process, which in turn produced a high level of gridlock. In the case of California’s budget gridlock in 2004-2010, these factors manifested principally as 1) the supermajority requirements for budgets and taxes, 2) the absence of a Democratic supermajority in the legislature and Republican control of the governorship, and 3) an increasing degree of ideological polarization between legislative Democrats and Republicans, as well as social and ideological polarization in the broader electorate.

However, my narrative analysis suggests that polarization was *asymmetric*, and that this made Republicans more willing to use *brinkmanship* and *crisis-as-leverage* than their Democratic counterparts. Furthermore, there were two additional conditions that were not anticipated by my theory of political decision-making that are important for explaining variation in the level of gridlock during Schwarzenegger’s term in office: changes in fiscal conditions and changes in relations between the Republican Governor and legislators. Fiscal conditions

exacerbated ideological disagreements between Republicans and Democrats, in particular providing Republicans with a justification for pushing for massive spending cuts. Poor intra-party relations on the Republican side inhibited the Governor's ability to lead fellow Republicans towards budget compromises in 2007 through early 2009; then when Schwarzenegger shifted to the right, greater intra-party cohesion exacerbated partisan conflicts in the summer of 2009 through the end of Schwarzenegger's term. The confluence of these conditions produced the record-breaking gridlock of 2010. However, as discussed in the next chapter, political conditions in California changed radically in late 2010, and the trend towards increasingly long budget delays came to a dramatic end.

Chapter 6: The Disappearance of Gridlock under Governor Brown, 2011-2014

As described in the previous chapter, the budget gridlock that occurred under Governor Arnold Schwarzenegger was unprecedented, reaching a high point with the record-late 2010 budget. In contrast, in 2011-2014 Governor Jerry Brown and the legislature managed to pass the state budget by the July 1st start of the fiscal year (see Table 6.1), avoiding the negative consequences of budget delays that had plagued the state in previous years. Returning to an office he had held nearly three decades earlier, Governor Brown – in his third term – presided over a major shift in Californian politics, bringing an end (at least for now) to the recurring budget gridlock that frustrated his predecessors.

Table 6.1 - California's Budget Process under Governor Brown (2011-2014)		
Budget	Signed by Governor (Date)	Budget Gridlock (Days) ^a
2011-2012	6/30/2011	-1
2012-2013	6/27/2012	-4
2013-2014	6/27/2013	-4
2014-2015	6/20/2014	-11

Sources: DOF (2015), Wilson (2011).

^a Number of days the budget was signed by the governor after July 1st, the start of the fiscal year (Wilson 2011). Negative values indicate the budget was signed before the start of the fiscal year.

In this chapter I describe the budget processes that occurred during Governor Brown’s third term in office (Wilson 2011), showing how changes in political conditions enabled

Democrats to control the budget process and enact on-time budgets. I argue that four changes in political conditions were critical in reducing budget gridlock. First, voters passed Proposition 25 in November 2010, rescinding the supermajority requirement to pass the budget and stipulating that if the legislature failed to pass a budget by the June 15th deadline, lawmakers would have to forfeit their pay. Second, the election of Brown in 2010 meant greater cooperation between the Governor and legislative Democrats, especially compared to the very tense relationship with Schwarzenegger during his last couple of years in office. Third, in the 2012 election, Democrats captured two-thirds of the seats in both houses (see Table 6.2, page 355). Fourth, voters also approved a Democratic-backed tax initiative, bypassing Republican opposition to taxes in the legislature and contributing to a striking improvement in the state’s fiscal outlook (see Table 6.3, page 356, row 2). Taken together, these changes in political conditions enabled Democrats to enact on-time budgets despite the intense polarization between Democrats and Republicans.

Table 6.2 - Partisan Composition of the California Legislature, 2011-2014						
Year	<u>State Assembly</u>			<u>State Senate</u>		
	Democrats	Republicans	Seats Short of 2/3rds	Democrats	Republicans	Seats Short of 2/3rds
2011	52	28	2	25	15	2
2012	52	28	2	25	15	2
2013 ^a	54	26	---	28	11	---
2014 ^b	55	24	---	28	11	---

Sources: 2013-2014 Legislative Handbook (2014); NCSL 2013, 2014; Rosenhall 2014-06-17; White 13-12-11, 14-04-07; Wilson 2011.

Note: Numbers in the chart show the partisan composition at the start of the year.

^a One Senate seat was vacant.

^b During the 2014 session, 3 Democrats were suspended because they had been charged with crimes. Functionally, this reduced the number of Democrats in the Senate to 25. An additional Senate seat was vacant in 2014.

My historical narrative analysis of the budget process under Brown (2011-2014) strongly supports two of the key claims from my overall theory of political decision-making. First, it shows how important veto points can be for the potential for gridlock; without the budgetary supermajority requirement, Republicans were effectively sidelined on budget issues in 2011-2014 (but not on taxes and constitutional amendments, which were still subject to supermajority rules). 2013 was the only year in which, at the time of the budget's enactment, Democrats held two-thirds of seats in both houses; in the other years, if the budgetary supermajority rule had still been present, Republicans would still have had the ability to obstruct the budget process.

Table 6.3 -Projected Budget Deficits, 2011-2014 ¹			
Fiscal Year	LAO Estimate, November ²	Governor's Estimate, January ³	Governor's Estimate, May ³
2011-2012	-25.354	-25.4	-10.8 ^a
2012-2013	-12.758	-9.2	-15.7
2013-2014	-1.879	- - -	- - -
2014-2015	5.624	- - -	- - -
Sources: California State Governor (2011a-2014b); California State Legislative Analyst's Office (2011-2014).			
¹ Positive values indicate a projected surplus, rather than a projected deficit.			
² Each November (of the prior calendar year), the Legislative Analyst's Office estimates the size of the state's total budget deficit or surplus for the upcoming fiscal year. This estimate includes the value of the deficit/surplus from the current fiscal year.			
³ Sometimes, governors' January budget proposals and May budget revisions provide estimates of the baseline budget deficit for the upcoming fiscal year (i.e., the budget deficit <i>without</i> any of the Governor's proposed budget solutions). These estimates include the deficit/surplus from the current fiscal year as well as the amount of money allocated to the state's reserve fund.			
^a Value indicates the remaining deficit after the legislature had adopted \$13.4 billion in budget solutions since the Governor's January 2011 budget proposal.			

Second, my analysis of the budget processes in 2011-2014 supports my second theoretical claim, that the pattern of partisan control of government institutions influences the risk of gridlock. The shift in control of the Governorship to the Democrats made it easier for the Governor and Democratic legislators to work together, as they shared common electoral and policy goals. The temporary Democratic supermajority in 2013 gave Democrats full control over fiscal policy in the legislature, although this did not last into the next year. On the other hand, my analysis of the Brown Years does not fully support the third claim of my theory; although Democrats and Republicans remained highly polarized, and prone to fight against each other, this did *not* lead to instances of budget gridlock. In sum, the Brown Years show how a reduction in veto points, and shifts away from divided partisan control, can reduce the potential for political gridlock, even when partisan polarization remains high.

The 2011-2012 Budget Process

In the 2010 election, Democrats gained the governorship and Governor Jerry Brown returned to an office he had held 30 years earlier (Wilson 2011). Democrats also gained 3 seats in the Assembly, giving them 52 out of 80 seats, and retained 25 out of 40 seats in the Senate (Table 6.2, page 355). Thus, Democrats remained short of a supermajority in both houses, by 2 votes in each. While Proposition 25 empowered them to pass a budget with a simple majority, that budget would not be able to include tax increases without Republican votes. Furthermore, in November 2010, the Legislative Analyst's Office (LAO) estimated that the government faced a \$25.354 billion deficit for the upcoming fiscal year (2010-2011), even larger than the estimate for the previous year (Table 6.3, page 356). The Governor's estimate of the deficit in January was very close to the LAO figure.

Governor Brown had campaigned on a promise of "no new taxes" without approval from voters (Ferriss February 17th 2011); thus, he proposed a cuts-heavy budget in January, while asking voters to approve a tax-related ballot measure in June (California State Governor 2011a; Yamamura 2011-01-03; see Table 6.4). Brown hoped that if the legislature approved deep spending cuts – including to Medi-Cal and the state university systems – then voters would be encouraged to approve a proposed tax ballot measure; it would extend, for five years, the higher tax rates on income, sales and vehicles that had been enacted into law in 2009 but were set to expire on July 1st, 2011 (Yamamura, 2011-01-03, 2011-01-10). Specifically, the measure would reinstate a .25 percent increase in the personal income tax and a reduced tax credit for dependents that expired in January 2011 and maintain a .5 percent increase in vehicle license fees and a 1-cent increase in the sales tax that were set to expire in July 2011 (Buchanan 2011-03-16). Polling in late January found that 66% of voters favored the idea of a June ballot and 53% said they would support Brown’s proposed tax extensions (Siders 2011-01-26).

Table 6.4 - Governor's Proposed Solutions for Budget Deficit, January 2011 (in billions)	
Deficit without Budget Solutions¹	-\$16.740
Budget Solutions:	
Health and Human Services	\$2.486
Education	\$2.305
Other Reductions	\$3.512
Revenues	\$5.919
Other	\$2.517
Source: California State Governor (2011a).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

Brown's budget proposal faced immediate criticism from anti-tax groups, which considered the measure to be a tax increase even though it merely extended rates that were already in place rather than allowing them to fall (Chang 2011-01-05; Yamamura 2011-01-10). Americans for Tax Reform expressed its opposition, contacting all of the legislators who had signed its no-tax pledge, which included virtually all Republicans and no Democrats (Chang 2011-01-05).¹ The president of the Howard Jarvis Taxpayers Association said his organization would campaign to protect voters from the "tax increases" (Yamamura January 10th, 2011). The Senate Republican Leader, Bob Dutton, stated that no Senate Republicans would lend their support to the measure, a position he reiterated in February (Ferriss February 17 2011). Several days later, 30 Republican legislators (over 2/3rds) formed a "Taxpayers Caucus" to block Governor Brown's proposed measure from going before voters unless the legislature also placed a tax cut measure on the ballot (Van Oot 2011-02-23; Yamamura 2011-02-24).

A Public Policy Institute of California poll from late January indicated that the broader voting public was generally supportive of Brown's budget proposal (Myers, 2011-01-26). 58% of respondents expressed approval of the mix of cuts and taxes in the plan. Moreover, 66% of respondents liked the idea of the special election, which even included a slight majority of Republican voters (55%). A UC Berkeley/Field Poll in March found similar results (Buchanan 2011-03-16; DiCamillo and Field 2011; Yamamura 2011-03-16); a majority of voters (58%) expressed support for the tax extension measure. While Republican voters opposed the measure by 61% to 35%, 56% of Republicans nonetheless wanted there to be a popular vote on the proposal.

¹ The text of the anti-tax pledge was "I (name of official) pledge to the taxpayers of the (blank) district of the state of (blank) and all the people of this state that I will oppose and vote against any and all efforts to increase taxes" (quoted in Chang January 5th, 2011).

Initially, it was unclear to political officials if the ballot measure would legally require a simple majority vote or a supermajority vote (Leubitz 2011-01-26; Walters 2011-01-12). The essence of the issue was whether the measure could avoid Proposition 13's supermajority requirement for tax increases. There were two "potential pathways" for achieving this (Walters 2011-01-12): first, if the proposed measure could be crafted as an amendment to a previous tax measure; second, if Proposition 25 (which eliminated the supermajority requirement for budgets) allowed the legislature to place the measure on the ballot with a simple majority, since the measure wouldn't technically increase taxes but rather put the choice before voters.

On February 14th the State Senate passed two budget bills – SB-69 and SB-87 – with 22-2 votes, and then sent them to the Assembly (California State Legislature [CSL] N.d.33, N.d.38). SB-69 was amended in the Assembly and then passed on a 49-1 vote on February 22nd (CSL N.d.33). The Assembly also passed its own budget bill, AB-98, on a 49-0 vote (CSL N.d.17). In the Senate, Senators refused to concur with the Assembly's amendments to SB-69, so a Conference committee was created to resolve the differences (CSL N.d.33) AB-98 was referred to the Senate Committee on RLS for assignment (CSL N.d.17). SB-87 was held at the Assembly desk until March 7th, when it was referred to the Budget Committee (CSL N.d.38). On the same day, the conference committee passed SB-69 on a 6-4 vote, sending it back to the full Senate and Assembly for approval (CSL N.d.33).

In order to have enough time to prepare for a June 7 ballot, Governor Brown asked the legislature to finalize a deal by March 10th (Yamamura March 1, 2011). However, as the deadline neared, legislative counsel confirmed that placing a new tax measure that was unrelated to an existing statutory tax initiative before voters would require a *two-thirds* vote of the legislature (Sanders, 2011-03-03). Thus, Governor Brown and legislative Democrats would not

be able to circumvent Republicans and take the tax extension issue directly to voters. Assembly Speaker Perez went so far to say that this was the will of the voters, essentially supporting the Republicans' stance.

In the hopes of making a deal, the Governor engaged in budget talks with several Republican legislators during March (Siders 2011-03-08; *Van Oot and Siders 2011-03-29*; Yamamura 2011-03-15). However, the Governor and the Republicans reached an impasse over the tax extension measure. According to Senator Tom Harman, one of the Republicans who negotiated with Brown, a five-year extension was “way too long” and “a non-starter” (quoted by Yamamura 2011-03-15). At the state GOP convention in mid-March, a group called the California Republican Assembly introduced a resolution to formally punish any Republican lawmakers who voted to place a tax extension measure on the ballot (Buchanan and Lagos 2011-03-15). The Sacramento Bee reported that Brown was now considering bypassing Republicans by backing a ballot initiative, which would not need to be approved by the legislature before going before voters (*Van Oot and Siders 2011-03-29*).

The March 10 deadline passed, and Democrats pushed ahead without bipartisan support for the budget proposals (Buchanan and Lagos 2011-03-15). On March 16th, AB-98 was re-referred to the Committee on BFR, and the Committee voted in favor of passing the bill (11-5 vote) (CSL N.d.17.). Then, on March 17th, the Assembly and Senate voted to adopt the Conference Committee report for SB-69 – the votes were 52-26 in the Assembly and 25-15 in the Senate (CSL N.d.33). In both houses, it must be noted, the votes were shy of two-thirds support.

Democrats held off on sending the main budget bill to the Governor but passed 13 other bills in late March, which were signed by the Governor (Chance 2011-03-24). On March 29th,

Brown announced that he had halted negotiations with legislative Republicans over his proposed ballot measure, and would not try to circumvent the 2/3rds requirement, meaning that there would not be a June vote (Yamamura 2011-03-29). He lashed out at Republicans, saying “each and every Republican legislator I’ve spoken to believes that voters should not have this right to vote unless I agree to an ever changing list of collateral demands” (quoted by Yamamura 2011-03-29). In the following month, Senate Majority Leader Steinberg and Senator Leno pursued an alternative plan that would not require a supermajority to pass (Morain 2011-04-24). Rather than directly raising taxes, the measure would allow counties the ability to place tax proposals before voters. In mid-May, a coalition of business associations (such as the Los Angeles Chamber of Commerce) promoted a budget compromise that would place the tax extensions on the ballot *along with* measures favored by Republicans, such as constitutional spending limits (Coalition for a California Financial Workout Plan 2011; Yamamura 2011-05-14). Assembly Republicans also put forward their own plan, relying on major cuts for social assistance programs and state workers in order to balance the budget. (Goldmacher 2011-05-11).

Brown’s May Revision estimated that the deficit for the 2011-2012 fiscal year was now \$9.6 billion, compared to 25.4 billion in his January budget (Table 6.3, page 356); the smaller estimate was partly due to the actions taken by the legislature earlier in the year, which reduced the deficit by \$13.4 billion. Most of Brown’s proposed solutions for the remaining deficit consisted of increasing revenues (California State Governor 2011b; see Table 6.5, page 363). In mid-May, Governor Brown renewed his push for the tax extensions, but this was complicated by three factors (Goldmacher 2011-05-15; Yamamura May 16th, 2011). First, there was no longer time to prepare for a June vote (Goldmacher 2011-05-15). Second, revised revenue projections that indicated the state would take in 6.6 billion more in tax revenue over the upcoming fiscal

year than initially projected (Yamamura 2011-05-16). Third, the lower income tax rate had now been in place for four and a half months. The Governor sought to persuade the legislature to extend the higher rates on the sales tax and vehicle license fee until a popular vote could be held, while postponing an increase in the income tax until 2012 (Goldmacher 2011-05-15, Yamamura 2011-05-16). However, labor leaders and some Democrats urged Brown to completely forgo the election (Goldmacher 2011-05-15).

Table 6.5 - Governor's Proposed Solutions for Budget Deficit, May 2011 (in billions)	
Deficit without Budget Solutions¹	-\$10.835
Budget Solutions:	
Expenditure Reductions	\$2.259
Revenues	\$9.321
Other	-\$0.745
Source: California State Governor (2011b).	
¹ Value indicates the remaining deficit after the legislature had adopted \$13.4 billion in budget solutions since the Governor's January 2011 budget proposal.	

As the Governor negotiated with Republican legislators in late May, Grover Norquist – president of Americans for Tax Reform – came to Sacramento to lobby Republicans to vote against placing a tax measure on the ballot (Yamamura and Siders 2011-05-25). During his visit to the state Capitol, Norquist met with Senate Republican Leader Dutton as well as the 30 Republican members of the Taxpayers Caucus. Nonetheless, Brown told reporters he was optimistic about reaching a deal with two Republicans in each house of the legislature. While Brown and Republicans made progress towards compromise on other issues, Brown was unable to extend the higher tax rates until a fall special election (Yamamura 2011-06-08). Brown

contended that allowing the tax rates to expire before voters got a chance to decide on whether or not to extend them for five years would be too disruptive.

On June 9th the Senate brought up for a vote a year-long extension of the higher rates, and a reinstatement of the higher income tax rates, which Republicans (and a few Democrats) predictably voted down (Buchanan 2011-06-11; Reuters 2011-06-10). To put pressure on Republicans, the Senate then approved Senate Bill 23 1X to allow counties and school districts to call for votes on tax increases, but held off on sending it to the Assembly (Van Oot 2011-06-10; Buchanan 2011-06-11; Yamamura and Oot 2011-06-11). Democrats hoped to use the measure as a “bargaining chip” to get the tax extensions they wanted (Van Oot 2011-06-10). Senate Democrats then finally moved on AB-98, passing it with amendments on a 24-15 vote and sending it back to the Assembly for concurrence (CSL N.d.17.). Meanwhile, on June 13th, Brown held a press conference to increase pressure on the GOP lawmakers “by parading a bipartisan group of business, labor and public safety officials before reporters to speak in support of it” (Goldmacher 2011-06-14). In response, four GOP senators who had been negotiating with Brown released a new list of demands in exchange for voting to have a special election on taxes, and reiterated their opposition to extending the higher tax rates until such an election would take place.

With the June 15th constitutional deadline looming, and the threat of forfeiting pay if a budget was not passed in time, Democrats revised their budget plan so it would not rely on any tax extensions and therefore not require any Republican support (Goldmacher 2011-06-14), while continuing to call for the tax extensions. In order to pass the budget without the tax extensions, Democrats employed a number of measures, such as delaying payments on bills, postponing debt repayments and raising car registration fees (Goldmacher and York 2011-06-

16). On July 15th Democrats in the legislature passed the state budget by the constitutional deadline, the first time the legislature had done so since 1986 (Goldmacher and York 2011-06-16). AB-98 received 23 out of 40 votes in the Assembly and 51 out of 80 votes in the Senate, so less than a 2/3rds supermajority in both houses (CSL N.d.18). In response, the Democratic Governor – who had pledged during his campaign that he would not sign a budget that relied on “gimmicks” – vetoed the main budget bill (Yamamura 2011-06-16; Yamamura and Siders 2011-06-17).

Brown announced he was crafting an alternative proposal without the tax extensions, compensating with deeper cuts and higher revenue estimates (York and Mishak 2011-06-27; Yamamura 2011-06-28). In particular, the budget plan was conditional on the higher revenue estimates; if the estimates fell short, the deal locked in additional cuts (Yamamura 2011-06-28). The Governor and legislative Democrats resolved their disagreements, moving to enact the state budget by the start of the fiscal year, June 30th (Yamamura 2011-06-30). SB-87 was amended in the Assembly Committee on the Budget on June 28th then passed the Assembly on June 28th with 51 out of 80 votes and the Senate with 21 out of 80 votes, again shy of 2/3rds in both houses (CSL N.d.38). Governor Brown signed SB-87 into law on June 30th, just in time for the start of the fiscal year (Table 6.1, page 354; also see CSL N.d.38).

Having given up on the special election, Brown now hoped to use the initiative process to get a revenue-raising measure before voters for the Fall 2012 election (Medina 2011-06-29). A Brown spokesman blamed Republicans’ opposition to the special election for the deep cuts contained in the budget (Buchanan and Lagos 2011-07-01). Republicans “celebrated” their “victory” at a press conference later in the day. Yet, as the LA Times Editorial Board pointed out, Republicans accomplished nothing else; without the leverage afforded by the budget

supermajority requirement, they were not able “to extract a variety of concessions on policy”; “this year's deal left them utterly empty-handed” (Los Angeles Times 2011-06-29).

The 2011 budget process, compared with previous years, shows how important the supermajority requirement was in causing the budget gridlock of the last three decades. With the removal of the supermajority requirement to pass budgets, and with a Governor from the same party as the legislature, the state government managed to enact the budget by the beginning of the fiscal year, in sharp contrast to the budget delays of the previous four years.

However, the events of the 2011 budget process also suggest two ways that budget gridlock may continue to occur *without* the presence of the two-thirds rule for passing budgets. First, now that it only requires a majority of legislators to pass a budget, the governor can meaningfully exercise his veto power. As I have described, Governor Jerry Brown exercised this veto power in 2011 (the first budget veto in the state's history [Wilson 2011:314]) to force legislative Democrats to adjust the budget to meet his own priorities. While the Governor and Democrats were able to resolve their disagreements and get a budget in place by the start of the fiscal year, in a situation of divided government it is very likely that a Governor's veto would lead to budget delays past the start of the fiscal year as legislative leaders struggled to obtain the necessary 2/3rds vote to override the Governor's veto.

Second, the budget process continues to be affected by the supermajority requirement for tax increases. Under this requirement votes to extend current tax rates that are set to expire, or even to put a tax increase on the ballot before voters, require a 2/3rds vote of each house of the legislature. Given the existence of a recurring budget deficit that needed to be balanced in 2011, and that this structural deficit is likely to persist for several more years at least, the California legislature faces a situation where it must either cut spending, raise taxes, or some combination

for both. (Other options can be pursued, such as borrowing from dedicated government funds, but not as a principal solution.) In this context, the existence of the 2/3rds rule to raise taxes empowers the legislative opponents of tax increases – chiefly the Republican minority – and places the Democratic majority in a position where they must choose between either a cuts-only budget or to refuse to pass a budget unless Republicans give their votes for tax increases. While in 2011 the Democratic majority chose the first option, it is possible in future years that they will choose the second option and allow the budget deadline to lapse – and pay to be forfeited - in order to attempt to force Republicans to give their votes for a budget that raises taxes.

The 2012-2013 Budget Process

Coming into the New Year, California's state government again faced a large deficit, though only half the size of the previous year's deficit according to the LAO's estimate (\$12.8 billion versus \$25.3 billion) (Table 6.3, page 356). Brown released his budget proposal for 2012-2013 on January 5th, 2012 (Ortiz 2012-01-06; Yamamura 2012-01-06), estimating that the deficit was \$9.2 billion, so \$3 billion less than the LAO's projection (Table 6.3). The budget plan hinged on holding a popular vote in November on whether to temporarily raise taxes to prevent deeper cuts to state programs (California State Governor 2012a; Ortiz 2012-01-06; Yamamura 2012-01-06; see Table 6.6, page 368). This meant they would not need to negotiate with Republican legislators, as they had the previous year. Unsurprisingly, Republicans voiced their opposition to the Democrats' proposal.

Democratic lawmakers, for their part, were skeptical of Governor's proposals for \$2.4 billion in cuts to health and welfare spending. Brown asked lawmakers to pass his proposed cuts by March, to give them time to be implemented by the start of the next fiscal year, but

Democratic leaders resisted (Yamamura 2012-01-06, 2012-01-16, 2012-03-27). Senate President Steinberg argued that it was better to wait until May to see if the deficit had shrunk before making “cuts that are going to harm people and harm the economy” (quoted in Yamamura 2012-01-06).

Deficit without Budget Solutions¹	-\$10.299
Budget Solutions:	
Health and Human Services Cuts	\$2.039
Education Cuts	\$1.321
Other Spending Cuts	\$0.855
Temporary Taxes	\$4.401
Other Revenues	\$0.251
Other Solutions	\$1.432
Source: California State Governor (2012a).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

Almost immediately after the budget’s release, the state’s top fiscal analyst challenged Brown's revenue estimate for his tax plan as being too high (Yamamura 2012-01-10). The following month, Brown’s revenue estimates were also criticized in a report from the LAO (Yamamura 2012-02-28). In late February, Brown and other governors met with President Obama, and Brown pushed for federal authorization to cut Medi-Cal more deeply.

In the legislature, Democrats continued to hold the same number of seats as in the previous year: 52 seats in the Assembly, and 25 in the Senate (Table 6.2, page 355). According to Yamamura (2012-03-30), “Democrats have all but written off Republicans in this year's budget process because they have majority-vote budget authority and are going directly to voters

for a tax hike on sales and upper-income earners”, which meant they would not negotiate over taxes with Republicans as they had the previous year. In March, an Assembly subcommittee voted down Brown's proposed cuts to CalWORKS (Yamamura 2012-03-01). The Senate acted on SB-1004, its version of the budget bill, passing it on a 23-10 vote March 22nd (CSL N.d.21). In the same week, the Assembly passed its budget bill on a 47-23 vote (CSL N.d.03). SB-1004 was referred to the Assembly Committee on the Budget, while AB-1464 was sent to the Committee on RLS (CSL N.d.03.; CSL N.d.21). Also, at the end of March, Republicans released their own budget plan, calling for more borrowing and cutting funding for affordable housing. (Yamamura 2012-03-30).).

While the legislature worked on the budget bills, the Governor worked to build support for his tax initiative (Siders 2012-01-20, 2012-03-11; Siders and Yamamura 2012-03-09), including trying to persuade the backers of alternate tax initiatives to drop their plans (Siders 2012-03-11; Siders and Yamamura 2012-03-09). Brown feared that the presence of the two other initiatives on the ballot would erode support for his own initiative, likely leading to its failure. In March, the Governor hammered out a compromise with the California Federation of Teachers to combine their proposed tax initiative with his own, in order to maximize their chances of winning (Yamamura 2012-03-15). The compromise plan reduced the sales tax increase from a half-cent to a quarter cent, while increasing the income tax increase for high earners. On the other hand, the backer of the other alternate tax initiative, civil rights attorney Molly Munger, did not give in to pressure from Brown (Yamamura 2012-03-15).

Over the next couple of months, the fiscal picture got worse for the state government (Yamamura 2012-04-26, 2012-05-15). The top fiscal analyst warned in late April that revenues were several billion dollars short of Brown’s projections, and in May the Governor announced

that the budget deficit had ballooned by 70% since January (Yamamura 2012-04-26, 2012-05-15). The May Revision pegged the deficit for the upcoming fiscal year at 15.7 billion (Table 6.3, page 356). In response, as part of his proposed solutions (see Table 6.7), Brown called for work reductions for state workers – a reduction in total hours by shifting to a four-day workweek with extended hours (Ortiz 2012-05-16; Ortiz and Yamamura 2012-05-19). However, the legislative analyst challenged the viability of the Governor’s plan to cut hours for state workers (Ortiz and Yamamura 2012-05-19).

Table 6.7 - Governor's Proposed Solutions for Budget Deficit, May 2012 (in billions)	
Deficit without Budget Solutions¹	-\$16.740
Budget Solutions:	
Health and Human Services Cuts	\$2.485
Education Cuts	\$2.307
Other Reductions	\$3.511
Temporary Taxes	\$5.580
Other Revenues	\$0.339
Other Solutions	\$2.518
Source: California State Governor (2012b).	
¹ Value includes both the estimated deficit for the <i>current</i> fiscal year and the estimated deficit for the <i>upcoming</i> fiscal year. It also includes the allocation of money for the state's reserve fund.	

In early June, both the Assembly and Senate worked on producing alternatives to Brown’s budget plan, while Brown met with the leadership to try to reach a deal (Yamamura 2012-06-12). Brown warned that the state deficit was now \$16 billion, much larger than the previous estimate of \$9.2 billion (Yamamura 2012-06-13). Republicans complained about being excluded from the talks (Yamamura 2012-06-11, 2012-06-12, 2012-06-15) and the lack of transparency about the contents of the bills (Yamamura 2012-06-14, 2012-06-15).

Around the same time, the Senate re-referred AB-1464 to the Committee on BFR (CSL N.d.21.). The Committee proposed amendments, which were approved by the full Senate on June 13th. On the same day, the Assembly amended SB-1004, but then took no further action on the bill after June 14th (CSL N.d.03). This was probably because they decided to accept the Senate version, but not sure.] Democrats opted not to send the bill to conference committee (which would have included a couple of Republicans), but rather to hold informal negotiations with the Governor that excluded Republicans (Yamamura 2012-06-15).

In the Senate, the Committee on BFR proposed amendments, which were accepted by the full Senate, and the bill was passed on a 23-16 vote on June 15th (CSL N.d.03.) The Assembly quickly concurred with the Senate's amendments on a 50-28 vote, and the bill was sent to the Governor by the June 15th deadline (CSL N.d.03.; Yamamura and Van Oot 2012-06-16). It should be noted that the bill did not have 2/3rds support in either house, and that it passed with "most Democrats in favor and Republicans opposed" (Yamamura and Van Oot 2012-06-16). At the same time, the legislature held off on sending supplementary budget bills to the Governor while negotiations continued (Yamamura and Van Oot 2012-06-16). On the 21st, Brown and legislative Democrats reached a deal on state spending, with Democrats accepting some harsh cuts to safety net programs (Yamamura 2012-06-22). Brown signed the budget into law on June 27th, before the start of the next fiscal year (Table 6.1, page 354; also see CSL N.d.03.; Yamamura and Van Oot 2012-06-16). Republicans continued to complain about being excluded from budget negotiations and about the lack of transparency (they were given less than 24 hours to read bills) (Yamamura 2012-06-15, 2012-06-16).

After passing the main budget bill, the legislature held off for a few days on sending supplementary budget bills to the Governor (Yamamura and Van Oot 2012-06-16). Governor

Brown and the Democratic legislators continued to negotiate (Yamamura and Van Oot 2012-06-16), and reached a deal on the 21st of June, with Democrats accepting some harsh cuts to safety net programs (Yamamura 2012-06-22). Brown signed the budget into law on June 27th, 3 days earlier (Yamamura, Van Oot and Sanders 2012-06-28).

In summary, the 2012 budget process was relatively smooth because a single, cohesive party – the Democrats - had full control of the formal budget process, and pursued a strategy of bypassing Republican opposition by putting the tax issue before voters through the initiative process (Yamamura 2012-06-21). This was a highly effective response to the experience of the previous year, where negotiations with Republicans over tax increases produced no results. The decision to back the tax initiatives allowed the Democrats to completely marginalize the Republicans in the budget process, which makes the 2012 process quite different than all of the previous years I have analyzed (1999-2011). This is not to say there was no conflict during the process; the Governor and legislative Democrats did quarrel over the depth of the spending cuts he had proposed. However, the Governor and Democratic legislators worked together to resolve these disagreements before the July 1st deadline.

My broader theory of political decision-making fits fairly well with the results of my analysis of the 2012 budget process. Since there was no longer a 2/3rds veto point within the legislature for passing budgets, and Democrats held the governorship and a majority of seats in the legislature, there was unified partisan control of the budget process. Given these conditions, high partisan polarization – which took the form of opposing views on fiscal policies (Yamamura 2012-03-30) - was not sufficient to lead to political gridlock over the budget.

The 2013-2014 Budget Process

Several changes in political conditions facilitated an incredibly smooth budget process in 2013. First, Democrats won a supermajority of seats in both houses – 28 out of 40 seats in the Senate, and 54 out of 80 seats in the Assembly (Table 6.2, page 355; Sanders and Ortiz 2012-11-15; Sanders 2012-11-08). This was the first time that Democrats had total control over state fiscal policy during the entire time period of this study (Wilson 2011).

Second, California's state government did not have to reckon with the problem of a big, looming budget deficit. Voters had approved the Democrats' tax initiative in the November 2012 election, which was projected to bring in \$15 billion in revenues over the next year and a half (Yamamura 2013-01-11). As a result, the fiscal projections for the upcoming fiscal year (2013-2014) showed a dramatic improvement from previous years (California State Legislative Analyst's Office 2013; Yamamura 2013-01-11). The LAO's projected deficit was \$1.879 billion, still a large amount of money but relatively small compared to the previous five years (Table 6.3, page 356). The Governor's budget plan, released in early January, projected no deficit for the first time since the recession (Yamamura 2013-10-11; California State Governor 2013a). As Legislative Analyst Mac Taylor put it, "I think we're in a very different situation than we have been in the last 10, 12 years...At this time we would usually be sitting around talking about 20, 25, 30 billion dollar deficits" (quoted in Yamamura 2013-01-15).

Now that revenues were sufficient to cover state spending, the Governor sought to increase education spending and give pay raises to state workers, as well as ending the furloughs (Ortiz 2013-01-11; Yamamura 2013-01-11). The Legislative Analyst supported Brown's budget strategy, and a week later his office reported that it was raising its revenue projections for the upcoming fiscal year (Yamamura 2013-01-15; Yamamura 2013-01-23). In late January, the

Governor delivered a celebratory and optimistic State of the State speech, boasting that “California is back, its budget is balanced and we are on the move” (quoted in Siders and Sanders 2013-01-25).

The legislature took little action on the budget prior to May (California State Assembly 2014a; California State Senate 2014a; CSL N.d.32). On May 9th, the main budget bill – AB-110 – was withdrawn from the Budget Committee on a 53/22 vote, then on May 13th it was passed on a 51/24 vote (California State Assembly. 2014a). The next day Brown released the May Revision of the budget, which included a higher revenue estimate for 2013-2014 than the original plan (Siders 2013-05-14). The LAO also, again, raised its revenue projections for 2013-2014, creating the potential for tension between legislative Democrats and Brown over his proposed budget cuts (Sanders 2013-05-18). In response to the higher-than-expected revenues, Democrats in both houses crafted alternative budget proposals with more spending than the Governor’s plan (Sanders 2013-05-25).

After being passed in the Assembly, the main budget bill - AB-110 - was referred to the Senate Committee on RLS, which proposed amendments to the bill (California State Assembly 2014a). On May 29th the Senate passed AB-110 on a 26/11 vote, but on the following day the Assembly refused to concur with the Senate’s amendments, and a conference committee was appointed. (California State Assembly 2014a). Meanwhile, the Governor worked out an agreement with legislative Democrats on the budget, with the latter conceding to the Governor’s more conservative revenue estimates (Siders and Sanders 2013-06-11). On June 11th the Conference Committee recommended adoption of AB-110 on a 6-2 vote, and on June 14th both the Assembly and Senate adopted the Conference Committee report (California State Assembly 2014a; Siders 2013-06-15; Siders, Gutierrez and Ortiz, 2013-06-15). In both houses, the bill

passed with more than two-thirds of legislators voting yes (54 to 22 in the Assembly, and 28 to 10 in the Senate) (California State Assembly 2014a). Two weeks later, on June 27th, Governor Brown signed AB-110 into law (Table 6.1, page 354; California State Assembly 2014a).

In summary, the 2013 budget process was relatively efficient, due largely to Democrats having full control over fiscal policies as well as an improving fiscal outlook, which dampened intra-party conflict compared with previous years. In my estimation, the former factor was more crucial, as Democrats had managed to pass budgets on time in the previous two years despite worse fiscal conditions (Table 6.3, page 356). The findings from this chapter fit with my first and second theoretical claims: there were fewer veto points than there had been before 2010, and for once there was *unified partisan control*, i.e., all of the veto points were controlled by the same party. As anticipated by my theory, these two factors lowered the chances of gridlock. On the other hand, I did not find evidence in support of the third claim of my theory, that higher polarization intensifies partisan conflicts and thereby raises the chances of gridlock. I consider this discrepancy between my theory and my findings in the conclusion to this chapter.

The 2014-2015 Budget Process

For the 2014-2015 budget process, the budget picture was even brighter than for the previous year; the LAO estimated that the state would end the 2013-2014 fiscal year with a \$5.6 billion *surplus* (Table 6.3, page 356). According to the Sacramento Bee, the successful vote for Brown's tax initiative in November was a key reason why the state now faced a surplus rather than a deficit (Siders, Miller and White 2014-01-09). Brown's budget plan, released in January, proposed using this surplus for modest spending increases, including \$6 billion in previously deferred spending on schools, and for paying down the state's debt Brown also hoped to save

\$1.6 billion as part of the state's rainy-day fund. On January 22nd, in his State of the State Address to the Legislature, Brown advocated for “fiscal discipline”: “To avoid the mistakes of the past we must spend with great prudence and we must also establish a solid rainy-day fund, locked into the constitution” (quoted in Siders 2014-01-23).

Brown’s plan was praised by Assembly Speaker Perez and the Legislative Analyst’s Office (Siders and Miller 2014-01-10; Siders 2014-01-14), with the latter saying that the budget would “place California on an even stronger fiscal footing” (quoted in Siders 2014-01-14). On the other hand, Brown's budget was criticized by some liberal organizations and legislators, including Health Access California, Senate President Steinberg, and Assemblyman Roger Dickinson (D-Sacramento) for not going far enough to make up for the large cuts to social service spending during the recession. Republican Leader Bob Huff said Brown’s rainy-day proposal didn't go far enough, and that the previous proposal, which it was intended to replace (part of Schwarzenegger’s 2010 budget deal) - was superior. This was a sentiment shared by other Republican legislators, who complained that Democrats had reneged on the 2010 deal and other previous budget deals. The original rainy-day initiative had been scheduled for a vote in November 2014, but Brown wanted to replace it with his own version. Brown's proposal differed in its funding mechanism (all revenues versus capital-gains revenue), by adding a separate reserve for schools, and by allowing lawmakers to use the reserve not just for emergencies but to pay down debt.

In early April, the Senate’s budget bill, SB-852, was withdrawn from committee and passed by the Senate on a 22/13 vote (California State Senate 2014a). While it was sent to the Assembly on April 10th, the Assembly held off on sending the bill to committee until May 8th. In

the meantime, the legislature had a special session called by Brown to consider his rainy-day fund proposal (Siders and Miller 2014-04-17).

A major change in political conditions occurred mid-session: Democrats lost their supermajority in the Senate (White 2014-04-07; Siders and Miller 2014-04-17; Rosenhall 2014-06-17). In April, the Senate voted to suspend three Democratic legislators (Leland Yee, Rod Wright, and Ron Calderon) who had been charged with crimes. Although they were technically still members of the Senate, the suspensions functionally brought the number of Democrats down to 25. As pointed out by the Sacramento Bee, this meant that Brown would have to negotiate with Republicans on fiscal issues – in this case, the rainy day fund plan - "for the first time since 2011" (Siders and Miller 2014-04-17).

On April 28th Brown appeared before the Assembly budget committee to urge approval of his rainy-day fund initiative (Miller 2014-04-29). Brown quickly achieved his goal (Siders 2014-05-09); On May 9th Brown reached an agreement with the legislative leaders on his rainy-day fund initiative, including Republican leaders. The agreement bridged elements of the original Schwarzenegger-era rainy-day fund initiative with Brown's alternative plan, filling the fund with a mix of revenue from the general fund and from capital-gains taxes in boom years.

The agreement on the rainy-day fund cleared the way for the state government to focus on disagreements over spending in the budget (Siders 2014-05-09). The budget bill – SB-852 – was sent to the Assembly budget committee on May 8th (California State Senate 2014a). The bill was amended by the Assembly, briefly re-referred to the Budget Committee, moved to the floor, and then passed on a 53 to 21 vote on May 23rd. The Senate, however, rejected the Assembly's amendments to the bill, so a Conference Committee was appointed.

Around the same time, Brown released his budget revision, with a higher revenue estimate (by \$2.4 billion) than in January (Siders and Miller 2014-05-14). However, he warned that the expansion in the number of Medi-Cal patients in the coming year would require an additional \$1.2 billion in spending. Legislative Democrats and liberal interest groups were poised to press the Governor for more spending on a variety of other programs. Senate leader Steinberg criticized the Governor's proposal for not doing enough to restore spending on programs that were cut in prior years, as well as spending on the courts and universities (Rosenhall 2014-05-15). Adding to the tension over spending, the LAO released its own updated revenue estimates, projecting \$2.5 billion more in revenue than Brown's revised budget. At the same time, Legislative Analyst Taylor warned that much of the new revenue would have to be spent on schools, under Proposition 98 (Miller 2014-05-17). However, legislative Democrats hoped to use the extra revenue to boost spending on social services (Miller 2014-06-09). Senate Democrats also sought to earmark less money for the high-speed rail project and more for urban development and affordable housing.

In early June, the Conference Committee met several times to reconcile the Assembly and Senate plans, while the Governor and legislative Democrats remained in disagreement on spending and savings levels (Miller 2014-06-09). After several days of inaction, the conference committee met late into the night on June 11th to finish its work (Siders and Miller 2014-06-12). On June 12th the Conference Committee voted for adoption of SB-852 (6/2), and on June 15th both houses adopted the Conference Committee report (California State Senate 2014a). Lawmakers approved the budget less than 6 hours before the June 15th deadline, over the objections of Republicans who complained about the increased spending and being sidelined in the budget process (Siders and White 2014-06-16). Even some Democrats expressed disapproval

of the final days of the budget process, as new measures were added to the budget package at the last minute. In the Assembly, Republicans spoke out against the high-speed rail project, and the vote for the budget - 55-24 - was entirely along party lines. In the Senate, a single Republican - Senator Anthony Cannella, R-Ceres - joined Democrats in voting for the budget bill. It is also worth noting that the Senate adopted the Conference Committee report with less than two-thirds of Senators voting yes (25/11) (California State Senate 2014a).

SB-852 was signed into law by the Governor on June 20th (Table 6.1, page 354; Siders 2014-06-21). According to Siders (2014-06-21), the budget "contained nearly everything Brown wanted, including a reserve account and money for high-speed rail." At the signing ceremony, he touted the budget as evidence of his effectiveness as Governor to make the case for his re-election in the fall. Brown and legislative Democrats had accomplished something remarkable in 2014; as pointed out by the Bee, "it was the earliest on record going back nearly 30 years" (excluding the highly unusual 2009 budget process) (Siders 2014-06-21).

In sum, the 2014 budget process was the most efficient in decades. The factors that facilitated this efficiency fit well with two of the broader claims of my theory. As in previous years of Brown's third term, there was not a two-thirds rule for passing budgets, which had been a key *veto point* in previous decades. Furthermore, there was a *unified partisan control* over the *budget process* (though not over fiscal issues more broadly), providing no opportunities for the minority party to block the budget bill. On the other hand, inconsistent with the third claim of my theory, I did not find evidence that *high partisan polarization* made the budget process less efficient, a discrepancy to be discussed in the following section. In addition to fewer veto points and unified partisan control of the budget process, the brightening fiscal outlook made it easier for Democrats to craft and pass the budget in this year. However, the budget would likely have

been passed on time even if fiscal conditions had been worse, as indicated by my analysis of the budget processes of 2011 and 2012.

Conclusion

In this chapter I set out to explain why all of the budgets enacted during Governor Brown's third term in office were on-time (Table 6.1, page 354), in stark contrast to prior years (California State Department of Finance 2015). I showed how the elimination of the supermajority rule was the primary reason that legislative gridlock over the budget vanished in 2011. Without this veto point, the Republican minority was simply unable to block budgets, even if it acted as a cohesive bloc. Counterfactually, if the rule had still been in place, Republicans would have been able to exercise power in this fashion during 2011, 2012 and 2014 (Table 6.2, page 355).

Yet there may still have been budget gridlock in these years if not for a second important factor: the control of the Governorship by Democrats. The 2011 budget process vividly illustrated how the removal of the supermajority rule made the governor's ability to veto budgets far more significant. In that particular instance, Brown and the Democratic majority worked out their differences fairly quickly and managed to enact the budget on time. This is not surprising given the strong electoral incentives for doing so (to show that Democrats can govern effectively, validating voters' decision to remove the supermajority rule and elect Brown governor). Counterfactually, then, if a Republican had been Governor in 2011-2014, the potential for gridlock would have been heightened. With Republican legislators deprived of their ability to block budgets, the Governor's veto power would have likely been used to block budgets until Democrats gave in.

A third factor that operated in conjunction with the removal of the supermajority rule and Democratic control of the governorship was the pattern of partisan control in the legislature. As discussed earlier, in 2013 Democrats briefly held two-thirds of seats in both houses of the legislature. Had this been the case throughout 2011-2014, the removal of the supermajority rule would not have been necessary for the disappearance of legislative gridlock over the budget. (It also would have given Democrats control over fiscal policy as a whole, including tax increases.)

Given these three conditions, factors that otherwise would have been conducive to budget gridlock – high polarization and large deficits – became less relevant. Partisan polarization remained high, providing strong incentives towards partisan conflicts, as demonstrated by the fight over tax policy in 2011. Yet without the supermajority rule for budgets, Republicans were effectively powerless to stall the budget process in 2011, 2012 and 2014. As for fiscal conditions, the deficits in 2011 and 2012 combined with high polarization to foster partisan conflict. Again, though, Republicans lacked the ability to block the main budget bills; high partisan conflict in the legislature could not lead to budget delays without this veto point.

Fiscal conditions improved in 2013 and 2014, which the narrative analyses for previous periods (Chapters 4 and 5) indicated should lessen partisan conflicts. However, the narrative analyses from this chapter do not show that the improving fiscal outlook was a necessary condition for the on-time budgets of these years. What was crucial was Democratic control over the budget process (and for a brief while all fiscal policy, while they had two-thirds of seats in both houses), which effectively shut Republicans out of the budget process.

Having presented an explanation for the absence of budget gridlock under Governor Brown, I now turn to assessing the fit between my specific findings and my overall theory of political decision-making. The first claim of my theory – that veto points increase the potential

for gridlock – is strongly supported by the evidence from this chapter. The absence of a supermajority rule for budgets deprived the legislative minority of a mechanism to stall the budget process in order to extract concessions. The second claim of my theory – that gridlock is more likely when veto points are controlled by different parties – is also supported by the evidence from this chapter. Democrats possessed the governorship and majorities in both houses of the legislature, so the party had full control over the budget process. While there were some conflicts within the party over the contents of the budget bills, the party had electoral incentives to work together to get budgets enacted on time. Yet, in this specific case, this level of control was contingent on the elimination of the supermajority rule for budgets that had occurred in late 2010. If the two-thirds rule for budgets had still been in place, Democrats would only have had unified partisan control of the budget process in 2013, when they briefly had two-thirds of the seats in both houses.

The third claim of my theory – that the more that parties are divided on social and ideological lines, the greater the intensity of partisan conflicts, and the greater the potential for gridlock – is not consistent with my findings from 2011-2014. The parties were highly polarized, and I found evidence that indicated this was conducive to conflict in 2011 and 2012, but not in 2013 and 2014. Furthermore, partisan conflict in these years did not lead to budget delays. For example, the partisan fight over tax policy in 2011, in a year in which the budget was passed on-time, indicates that partisan conflict was not sufficient in of itself to produce gridlock.

The discrepancy between my findings and the third claim of my theory points to the importance of considering the overall *conjuncture* of conditions, not just each factor in isolation. It appears that in these years the particular combination of the three factors – the absence of the two-thirds rule for passing budgets, unified partisan control, and high partisan polarization –

actually facilitated a *smoother* budget process. Since Democrats were ideologically unified, they were able to craft and pass budgets without any Republican involvement. Republicans still disagreed strongly with Democrats on policy issues, but could not exercise direct power over the budget process. The effect of unified partisan control of the budget process was actually magnified by the high level of polarization, which provided ideological incentives for Democrats to work together to accomplish shared policy goals.

Related to the above point, this chapter indicates how my theory of political decision-making might be modified to reverse its focus; instead of accounting for the level of gridlock, the theory could account for the extent of effective or efficient political decision-making. The crucial implication is that high partisan polarization is not conducive to gridlock in all contexts. When a single party controls all of the veto points in the policy-making process (or for other political decisions), the cohesiveness of the parties means that the party in control will have both electoral and ideological incentives to work cooperatively and efficiently. In other words, the combination of high partisan polarization and *divided* partisan control may be generally conducive to more gridlock, while partisan polarization plus *unified* partisan control may be generally favorable to more efficient political decision-making.

Chapter 7: A Comparative Analysis of Gridlock, 1999-2014

In the previous chapters I conducted an historical narrative analysis of each of the budget processes that occurred under Governors Davis (1999-2003), Schwarzenegger (2004-2010) and Brown (third term, 2011-2014). These narrative analyses showed how partisan conflicts over the budget intensified over the course of the 2000s, resulting in increasingly lengthy budget delays (see Table 7.1). However, after 2010, budget gridlock vanished, even as Democrats and Republicans continued to strongly disagree about fiscal policies.

Governor	Years	Late Budgets (%)¹	Average Length of Delay (Days)	Longest Delay (Days)
Davis	1999-2003	60%	41	66
Schwarzenegger ²	2004-2010	86%	51	99
Brown (third term)	2011-2014	0%	- - -	- - -

Sources: California State Department of Finance (2015); Wilson (2011).

¹ Late budgets are defined as budgets enacted after the start of California's fiscal year, July 1st (Wilson 2011:246).

² The calculations for Schwarzenegger's governorship include the 2009-2010 budget as an instance of a late budget. The 2009-2010 budget was initially enacted on February 20, 2009, but then had to be amended by a budget revision bill that was enacted on July 28th, 2009 (California DOF 2015; Wilson 2011).

In general, my narrative analyses yielded the following findings: 1) the supermajority rule for budgets was a necessary condition for the pattern of partisan conflict and budget gridlock over the course of the 2000s, and its removal was necessary for the disappearance of gridlock; 2)

divided partisan control of the government meant that neither party could pass the budget on its own from 1999-2010. This condition changed to unified partisan control of the budget process with the removal of the supermajority rule for budgets and the simultaneous election of a Democratic governor, and this unified control was necessary for the disappearance of gridlock after 2010; 3) partisan polarization, which generally increased from the late 1990s on, provided the impetus towards partisan conflicts. When combined with the presence of the supermajority rule and divided partisan control, this conjuncture of conditions was highly conducive to budget gridlock; 4) recurring budget deficits (and occasional cash crunches) also exacerbated partisan conflict, thus contributing to gridlock along with the other three conditions.

In this chapter I use a comparative analysis of variation in the level of gridlock in order to assess and elaborate on my findings from the narrative analyses. Specifically, I compare the levels of gridlock under Governor Davis (1999-2003), Governor Schwarzenegger (2004-2010), and Governor Brown (third term, 2011-2014) to understand why there are differences in the *overall levels of gridlock* for each Governor (Table 7.1). Since there was considerable variation *within* each gubernatorial period in terms of the length of budget delays (see Table 7.2, page 386), I also seek to understand why there are differences in the length of *budget delays in specific years* (e.g., 2002 versus 2011). As discussed in Chapter 2, this comparative analysis allows me to make limited historical generalizations about why levels of budget gridlock varied in my specific case (Ragin 1987:35; Stryker 1996:306-307) and about the broader causes of political gridlock (Ragin 1987:35). While I discuss each of the potential explanatory factors sequentially, for organizational clarity, in the end my comparative analysis points to specific conjunctures of factors that account for variation in budget gridlock over time.

Governor	Budget	Signed by Governor (Date)	Budget Gridlock (Days)^a
Davis	1999-2000	6/29/1999	-2
Davis	2000-2001	6/30/2000	-1
Davis	2001-2002	7/26/2001	25
Davis	2002-2003	9/5/2002	66
Davis	2003-2004	8/2/2003	32
Schwarzenegger	2004-2005	7/31/2004	30
Schwarzenegger	2005-2006	7/11/2005	10
Schwarzenegger	2006-2007	6/30/2006	-1
Schwarzenegger	2007-2008	8/24/2007	54
Schwarzenegger	2008-2009	9/23/2008	84
Schwarzenegger	2009-2010 ^b	2/20/2009	- - -
		7/28/2009	27
Schwarzenegger	2010-2011	10/8/2010	99
Brown	2011-2012	6/30/2011	-1
Brown	2012-2013	6/27/2012	-4
Brown	2013-2014	6/27/2013	-4
Brown	2014-2015	6/20/2014	-11
Sources: California DOF (2015), Wilson (2011).			
^a Values indicate the number of days after July 1, the start of the fiscal year, that the budget was signed by the governor (Wilson 2011). Negative values indicate the budget was signed before the start of the fiscal year.			
^b The 2009-2010 budget was enacted early, but worsening fiscal conditions made it necessary to enact a revised budget.			

I utilize two pair-wise comparisons to shed light on why gridlock varied between these gubernatorial periods. First, I compare the gubernatorial periods of Davis and his successor, Schwarzenegger. As discussed below, this comparison is helpful for assessing the importance of polarization, patterns of partisan control, and fiscal conditions. To preview my findings, the

conjuncture between rising polarization and more frequent deficits is the primary reason why gridlock was generally worse under Schwarzenegger than under Davis.

Second, I compare the gubernatorial periods of Davis and Brown. As discussed below, the most striking difference between these two periods was the presence of the supermajority rule under Davis compared to its absence under Brown; as a consequence, the two periods differed markedly in the patterns of partisan control. This part of my comparative analysis offers strong support for my previous findings regarding the importance of the supermajority requirement (Chapters 3-6). In my conclusion to this chapter, I discuss the implications of these findings for my general theory of political decision-making.

Davis (1999-2003) versus Schwarzenegger (2004-2010)

As shown in Table 7.1, gridlock was less severe under Gray Davis (1999-2003) than under Arnold Schwarzenegger (2004-2010) in terms of all three measures: the percentage of budgets that were late, the average length of delays, and the longest delay.¹ Here I consider several different factors that might account for this contrast. Two factors that were identified by my theory of political decision-making and shown to be relevant in my narrative analyses are 1) the pattern of partisan control, and 2) the extent of partisan polarization. (A third factor identified by my theory, the presence of veto points, cannot account for variation in gridlock across these two governorships because there was no change in the number of veto points during the Davis and Schwarzenegger Years). In addition to the pattern of partisan control and extent of

¹ It is important to note here that the calculations for Schwarzenegger's governorship do not include the 2009-2010 budget as an instance of a late budget. As a reminder, the 2009-2010 budget was an ambiguous case because it was initially enacted very early, on 2/20/2009, but then had to be amended by a budget revision bill, which was enacted after the start of the fiscal year on July 28th, 2009 (California DOF 2015; Wilson 2011). If I had counted it as an instance of a late budget, the percentage of late budgets for Schwarzenegger would be higher (85%), while the average length of delays would be slightly lower (51 days), although still higher than the average under Davis (41 days).

polarization, my narrative analyses indicated that the state's overall fiscal condition influenced the chances for gridlock. I discuss each of these factors in the following paragraphs, as well as how they combine with one another to account for variations in gridlock.

Patterns of Partisan Control

The first factor that might account for variations in budget gridlock was the pattern of partisan control. My theory of political decision-making proposed that the potential for gridlock would be higher when different parties controlled veto points in the policy-making process. While both the Davis years and Schwarzenegger years can be characterized as periods of 'divided partisan control', they represent two different sub-types, with the Schwarzenegger Years having a more extreme variant. Under Davis, the Governor and legislative majority were of the same party, but Democrats did not have enough seats to pass budgets without yes votes from Republicans (because of the supermajority rule) (Table 7.3, page 389; Bluth 2003-06-03; Capps 1999-05-28, 2000-01-14; Hill 2001-05-26, 2002-05-29; Smith 1999-03-24). This can be characterized as *intra-house divided control* – that is, neither party has enough seats to control the legislative process within one house or both houses of the legislature. My narrative analyses show how these conditions allowed Republicans to exercise disproportionate power over fiscal policy, which led to budget gridlock. In contrast, the pattern of partisan control under Schwarzenegger was an even more extensive division of partisan control; the Governor and legislative minority were Republicans, while the legislative majorities were Democrats. This can be characterized as both *intra-house* and *inter-branch divided government* (which refers to when the governorship is controlled by a different party than the party with a majority of seats in the legislature).

Table 7.3 - Partisan Composition of the State Government, 1999-2014

Year	Governor	State Assembly			State Senate		
		Democrats	Republicans	Seats Short of 2/3rds	Democrats	Republicans	Seats Short of 2/3rds
1999	Davis (D)	48	32	6	25	15	2
2000	Davis (D)	48	32	6	25	15	2
2001	Davis (D)	50	30	4	26	14	1
2002	Davis (D)	50	30	4	26	14	1
2003	Davis (D)	48	32	6	25	15	2
2004	Schwarzenegger (R)	48	32	6	25	15	2
2005	Schwarzenegger (R)	48	32	6	25	15	2
2006	Schwarzenegger (R)	48	32	6	25	15	2
2007	Schwarzenegger (R)	48	32	6	25	15	2
2008	Schwarzenegger (R)	48	32	6	25	15	2
2009 ^a	Schwarzenegger (R)	51	29	3	25	15	2
2010 ^b	Schwarzenegger (R)	50	29	4	25	15	2
2011	Brown (D)	52	28	2	25	15	2
2012	Brown (D)	52	28	2	25	15	2
2013 ^c	Brown (D)	54	26	---	28	11	---
2014 ^d	Brown (D)	55	24	---	28	11	---

Sources: 2013-2014 Legislative Handbook (2014); NCSL 2011, 2012, 2013, 2014; Rosenhall 14-06-17; White 13-12-11, 14-04-07; Wilson 2011.

Note: Numbers in the chart show the partisan composition at the start of the year.

^a Assembly member Juan Arambula was elected as a Democrat, but later changed his party affiliation to Independent.

^b One Assembly seat was occupied by an Independent.

^c One Senate seat was vacant.

^d During the 2014 session, 3 Democrats were suspended because they had been charged with crimes. Functionally, this reduced the number of Democrats in the Senate to 25. An additional Senate seat was vacant in 2014.

Consistent with my theory of political decision-making, the change in the pattern of partisan control from the Davis period to the Schwarzenegger period coincided with an increase in the overall level of gridlock (Table 7.1). However, my narrative analyses point to historical details that make it more complicated to compare these periods. While Davis and Democratic lawmakers were sometimes at odds on budget-related policies, Schwarzenegger struggled more sharply with his fellow Republicans (Hill 2007-08-03; Lin 2007-06-29, 2007-06-30, 2007-07-01, 2007-07-10, 2007-08-02, 2008-06-19; Rojas 2008-08-31; Sanders 2008-12-10, 2008-08-08; Yamamura 2008-12-12, 05-21-2007, 2007-05-15, 2008-05-16). Partially this was due to

Schwarzenegger being generally less conservative than Republican lawmakers (Delsohn 2006-01-11; Yamamura 2007-06-27). As mentioned before, when Schwarzenegger took a more conservative stance towards the end of his term, this did exacerbate partisan conflict (Yamamura May 27th, 2009-05-27, 2010-01-09). This suggests two points: 1) gridlock would likely have been even more severe under Schwarzenegger had the Governor held a more consistently conservative set of policy preferences, and 2) the effects of divided partisan control cannot be considered separately from the ideological positions of different actors.

In contrast to control of the Governorship, the composition of the legislature did not differ widely between the Davis and Schwarzenegger gubernatorial periods (or vary widely within the periods, for that matter) (Table 7.3, page 389). In the Assembly, Democrats only had 48 seats (6 short of a supermajority) for 60% of Davis' gubernatorial period and for 71% of Schwarzenegger's gubernatorial period. Democrats had 50 seats during 40% of Davis' gubernatorial period and for 29% of Schwarzenegger's gubernatorial period (Democrats had 51 seats at the start of the 2009-2010 session, but then one Democrat switched to Independent). These differences in partisan composition are not correlated at all with differences in the length of gridlock. Democrats had 50 seats in 2002, 2009, and 2010, but 2002 and 2010 were two of the worst instances of gridlock in state history (Table 7.2, page 386) (while 2009 is a complicated case). In contrast, Democrats had only 48 Assembly seats during the gridlock-free years of 1999, 2000, and 2006. My narrative analysis of 2003 suggests that the budget process was made even more difficult than the previous year by the loss of 2 Assembly seats (Garrett 2002-11-16), but this was in conjunction with strong pressure on Republicans to adhere to the party line (Hill 2002-07-02, 2003-06-29; Hill and Fletcher 2003-06-05). Furthermore, the budget delay ended up

being shorter in 2003 than in 2002, probably due to the mitigating influence of the recall campaign (Walters 2003-07-30).

For the Senate, the partisan composition was 25-to-15 for the Davis and Schwarzenegger years, with the exception of 2001 and 2002 (Table 7.2, page 386). The narrative analyses in Chapter 3 suggest that the smaller vote margin in these two years – Democrats only needed 1 Republican to join with them in voting for the budget, rather than 2 – wasn't an important factor for explaining the length of the budget delay (Bluth and Sanders 2003-07-28; Capps and Matthews 1999-06-16, 2000-06-16; Capps and Bazar 2001-07-22; Hill 2001-07-23 1, 2001-07-26, 2002-06-26 , 2002-06-27 , 2002-06-30). Indeed, the Senate passed the budget bill earlier in 1999 and 2000, when Democrats were short two seats, and the delay in 2003 was barely longer than the delay in 2001. In summary, changes in partisan composition in the Assembly and the Senate do not seem to matter much for explaining variations in gridlock between or within the gubernatorial periods of Davis and Schwarzenegger.

Partisan Polarization

Variation in partisan polarization offers a better explanation for why gridlock was higher under Schwarzenegger than under Davis. My theory of political decision-making also posited that the greater the extent of partisan polarization, the higher the intensity of political conflicts, and the greater the chances for gridlock. Partisan polarization in the broader electorate was, indeed, more severe under Schwarzenegger than under Davis (Baldassare 2004a, 2008; Public Policy Institute of California [PPIC] 2004, 2008). Public Policy Institute of California polls showed that Democratic and Republican voters became more ideologically distinct over the 2000s. There was a particular shift between the 2000 elections (when Davis was governor) and

the 2004 elections (when Schwarzenegger was governor) (Baldassare 2004a). Although I lack a measure of polarization in the *legislature* for this whole period (Masket's [2009] Assembly data only goes to 2003), my narrative analyses of the Davis and Schwarzenegger years indicated a hardening of policy differences between the two parties over time (Bluth 2003-04-30; Bluth and Hill 2003-02-27; Chance 2003-01-09; Hill 2002-05-14; Lin 2008-07-10, 2008-07-19; Sacramento Bee 2003-03-02; Sanders 2008-12-16; Sanders and Lin 2006-12-05; Schultz 2006-11-10; Walters 2003-06-25; Wiegand 2009-06-12; Yamamura 2002-01-04, 2007-05-21, 2009-05-27, 2010-01-09). Overall, then, the trend towards increasing polarization fits with the difference in the level of gridlock under Davis and Schwarzenegger (Table 7.1), and the narrative analyses showed that intensifying conflicts were the mechanism that linked polarization to gridlock, both of which support my theory.

Going beyond the expectations of my theory, I found that partisan polarization was actually *asymmetric* (Mann and Ornstein 2013:51), with Republicans moving towards hardline positions to a greater extent than Democrats. Republicans increasingly adopted, or were pressured to comply with, an absolute anti-tax stance coupled with support for large spending cuts (Benson 2007-04-10; Furillo 2006-02-15, 2006-02-27; Goldmacher 2009-02-03; Hecht 2009-02-23; Lin 2007-12-30, 2008-06-19; Morain 2010-06-17; Rojas 2008-08-31; Sanders 2008-12-16; Sanders and Lin 2006-12-05; Sanders and Yamamura 2009-02-18; Schultz 2006-11-10; Yamamura 2007-05-21, 2009-02-04, 2010-01-09). The role of anti-tax interest groups, seeking to hold all Republicans to their position and threatening to punish those who deviated, is a particularly striking example of this pressure (Benson 2007-04-10; Lin 2007-12-30; Sanders 2008-08-28; Yamamura 2009-02-04).

While the evidence for legislative polarization is strong, and distinguishes the Davis and Schwarzenegger periods, the contrast between the Davis years and Schwarzenegger years is more ambiguous in terms of the governor's ideological position (relative to legislators). Both Davis and Schwarzenegger generally occupied a moderate position relative to Democratic and Republican legislators (Chance 2003-01-09; Delsohn 2006-01-11; Hill 2002-01-11, 2003-01-24; Sacramento Bee 2003-01-26; Talev 2003-01-09; Yamamura 2002-01-04, 2002-01-06, 2007-06-27). Schwarzenegger, however, shifted his positions back and forth several times during his governorship; to take just a few telling examples, in 2005 he was echoing the anti-government rhetoric of Grover Norquist (Delsohn 2005-01-17); by 2007 he declared that the state had "a revenue problem rather than a spending problem" (Yamamura and Sanders 2008-11-07); then by 2010 he was again adamantly opposed to tax increases (Yamamura 2010-01-09).

Yet, as discussed in Chapter 5, Schwarzenegger's shifts in ideology earlier in his term did not have a noticeable effect on the length of budget delays for much of his term. For example, despite the fact that Schwarzenegger expressed a strongly anti-tax, pro-cuts view early in 2005 (Delsohn 2005-01-17), the budget delay was relatively short (Table 7.2, page 386). Schwarzenegger's moderation in 2007 and 2008 was cancelled out by the hardline position of legislative Republicans and Schwarzenegger's lack of influence over them, so there were relatively long delays despite Schwarzenegger's efforts to push for a balanced compromise (Hill 2007-08-03; Lin 2007-06-30, 2007-07-01, 2007-08-02, 2008-03-08, 2007-07-10, 2008-07-10, 2008-06-19; Rojas 2008-08-31; Sanders 2008-08-08, 2008-08-21; Yamamura 2007-07-27, 2008-05-15). On the other hand, Schwarzenegger's rightward shift towards the end of his term did heighten partisan conflicts over the budget (Yamamura 2009-05-27, 2010-01-09; this is

consistent with the expectation of my broader theory of political decision-making in terms of the effect of polarization on conflict.

Even setting aside the complication of Schwarzenegger, though, partisan polarization is not sufficient to account for variations in gridlock under Davis and Schwarzenegger. While gridlock in general was greater under the latter (Table 7.1), there were notable variations from year-to-year (Table 7.2, page 386). The budget delay in 2005 was shorter than the previous year, while the budget was passed on time in 2006. My narrative analysis indicated that the surge in revenues in 2006 mitigated the effect of partisan polarization (Benson 2006-05-12, 2006-06-16). This mitigating effect of budget surpluses on partisan conflict is also supported by my narrative analyses of 1999 and 2000 (Capps 1999-06-18, 1999-06-30, 2000-06-23, 2000-07-01). In sum, partisan polarization did contribute to the increasing gridlock over the course of the 2000s, but it does not by itself adequately account for variation in gridlock from year-to-year.

Fiscal Conditions

Having discussed partisan polarization and the pattern of partisan control, I now turn to a third potential explanation for variation in gridlock between the Davis and Schwarzenegger years that was not anticipated by my theory: the state's fiscal conditions. Fiscal conditions includes both the projected deficits and surpluses (see Table 7.4, page 395) as well as the amount of cash the state currently possesses at any given time. Unfortunately, the data for projected deficits and surpluses are very incomplete because governors' budget summaries only sometimes contained an estimate for the baseline surplus/deficits, so my ability to assess the influence of this factor is impeded.

Table 7.4 - Projected Budget Deficits, 1999-2014 (in billions)¹

Fiscal Year	LAO Estimate, November ²	Governor's Estimate, January ³	Governor's Estimate, May ³
1999-2000 ^a	-1.0	---	---
2000-2001	3.0	---	---
2001-2002	10.3	---	---
2002-2003	-12.4	-12.5	-23.6
2003-2004	-21.1	-34.6	-38.2
2004-2005	-10.2	-16.2	-15.1
2005-2006	-6.7	-9.1	---
2006-2007	1.2	---	---
2007-2008	-2.4	---	-1.4
2008-2009	-9.8	-17.3	-17.2 ^b
2009-2010 ^c	-27.8	-41.6	-21.3 ^d
2010-2011	-20.7	-19.9	-19.1
2011-2012	-25.4	-25.4	-10.8 ^e
2012-2013	-12.8	-9.2	-15.7
2013-2014	-1.9	---	---
2014-2015	5.6	---	---

Sources: California State Governor (2000a -2014b); California State Legislative Analyst's Office (1998 - 2003, 2004b, 2005-2013).

¹ Positive values indicate a projected surplus, rather than a projected deficit.

² Each November (of the prior calendar year), the Legislative Analyst's Office estimates the size of the state's total budget deficit or surplus for the upcoming fiscal year. This estimate includes the value of the deficit/surplus from the current fiscal year.

³ Sometimes, governors' January budget proposals and May budget revisions provide estimates of the baseline budget deficit for the upcoming fiscal year (i.e., the budget deficit *without* any of the Governor's proposed budget solutions). These estimates include the deficit/surplus from the current fiscal year as well as the amount of money allocated to the state's reserve fund.

^a Neither the 1999 January budget proposal or the May revision were available.

^b Value indicates the remaining projected deficit *after* the legislature had cut the deficit by \$7.043 billion since the Governor's January budget proposal.

^c The original 2009-2010 budget act was signed into law on February 20th, 2009, before the Governor's may estimate. A revised budget act was signed into law on July 28th, 2009, after the Governor's may estimate.

^d Value indicates the remaining deficit after the enactment of the original 2009 budget act, due to deteriorating fiscal conditions. The estimate shown here is based on the assumption that voters *would not* approve several propositions on the May 19th ballot that would reduce the deficit.

^e Value indicates the remaining deficit after the legislature had adopted \$13.4 billion in budget solutions since the Governor's January 2011 budget proposal.

Nonetheless, the results of my narrative analyses of the budget processes provided strong support for the influence of fiscal conditions on the level of gridlock. Looking at 1999, 2000, and 2006, budget conflicts were lessened and made easier to resolve by the availability of surplus revenues to boost spending or justify tax cuts (Capps 1999-06-18, 1999-06-30, 2000-06-23, 2000-07-01; Benson May 12th, 2006). During the other Davis and Schwarzenegger years, worsening deficits heightened partisan conflicts and prevented mutually desirable compromises.

For example, in 2002, Democrats responded to the deepening deficit by calling for tax increases to offset spending cuts (Hill 2002-05-15; Yamamura 2002-01-04, 2002-01-06), while Republicans rejected tax increases and called for a spending cap (Hill 2002-05-14; Yamamura 2002-01-04, 2002-01-06). The two parties fought over these contradictory goals for months before Democrats finally relented in late August (Chance 2002-08-27; Hill 2002-05-29, 2002-05-31, 2002-06-26, 2002-07-12, 2002-07-09, 2002-08-28, 2002-08-31, 2002-09-01; Sanders 2002-07-28; Walters 2002-05-28, 2002-06-16, 2002-08-13; Wiegand 2002-08-08). Likewise, in 2003, Democrats and Republicans sharply disagreed over how to handle an even larger projected deficit: Democrats again pushed for a mixture of spending cuts and tax increases (Bluth and Hill 2003-03-11; Hill 2003-01-10, 2003-01-11, 2003-01-29), whereas Republicans opposed tax hikes, wanted larger spending cuts, and sought to rollover part of the deficit (Bluth 2003-02-17; Bluth and Hill 2003-02-27; Sacramento Bee 2003-03-02). Partisan conflict over the proposed tax increases led to a month-long delay (Bluth 2003-06-09, 2003-06-10, 2003-06-11, 2003-06-25, 2003-06-28, 2003-07-16; Walters 2003-06-25) until Democrats again relented (although Republicans did accept some fee increases) (Bluth 2003-07-25; Bluth and Sanders 2003-07-28). Thus, the budget processes of 2002 and 2003 show how worsening fiscal conditions (in a climate

of high polarization) can trigger partisan conflicts over how to solve budget problems, and in turn lead to budget gridlock.

During Schwarzenegger's governorship, in 2007, Republicans responded to the onset of the late-2000s recession by staking out a hard cuts-only position (demanding more cuts than Schwarzenegger), from which they relented after holding up the budget for a month and a half and extracting some concessions (Hill 2007-08-03; Lin 2007-06-29, 2007-06-30, 2007-07-01,, 2007-07-10, 2007-07-25, 2007- 08-22; Lin and Sanders 2007-07-21; Yamamura 2007-02-21). This same pattern played out again in 2008, with Republican lawmakers responding to the deepening recession by pushing for more cuts than the Governor and Democrats (Lin 2008-06-19; Rojas 2008-08-31; Yamamura 2008-05-15, 2008-05-16), and holding out until the Governor and Democrats agreed to drop their insistence that the budget include a tax increase (Rojas 2008-08-30, 2008-08-31, 2008-09-13; Sanders 2008-08-08; Wiegand 2008-09-15). In 2010, after Schwarzenegger had shifted to the right on fiscal policy (Yamamura 2009-05-27, 2010-11-09, both the Governor and legislative Republicans responded to the substantial deficit by pushing for "absolutely terrible cuts" (the Governor's own words, quoted in Yamamura 2010-05-12; also see Yamamura 2010-01-09, 2010-07-03). Democrats, on the other hand, responded to fiscal conditions by pushing even harder for tax increases and against cuts (Lin 2008- 07-10; Lin and Smith 2008-07-09; Sacramento Bee 2008-06-12; Sanders 2008-03-13; Yamamura 2010-05-15, 2010-05-25, 2010-05-26, 2010-08-30; Yamamura and Lin 2008-01-11;). Thus, my narrative analyses vividly illustrate how large deficits can heighten partisan disagreements and intensify conflicts.

From the above discussion, it should be clear that fiscal conditions varied across the gubernatorial periods of Davis and Schwarzenegger, and that both held office during periods of

wild swings in fiscal conditions (Table 7.4, page 395). To offer an overall characterization of how fiscal conditions differed between the Davis and Schwarzenegger years, the swing was more dramatic under Davis. On the other hand, Schwarzenegger had to deal with projected deficits more often than his predecessor; 2006 was the only year of his governorship in which there was a projected surplus and in which the fiscal outlook improved over the course of the budget process (Table 7.4; Benson May 12th, 2006).. In general, then, it is fair to say that the Schwarzenegger period had worse fiscal conditions than the Davis years, but not by a large margin. This difference fits with the worse level of gridlock under Schwarzenegger than under Davis.

While the patterns discussed so far strongly suggest that budget deficits contribute to gridlock, other cases indicate that there is not a linear relationship between the two. Looking at the record-setting gridlock of 2010, the projected deficit was not as great as it had been in 2002, but the length of the budget delay was worse. This was likely due to the fact that polarization was higher in 2010 (including Schwarzenegger's turn to the right), which meant that the response to the projected deficit was even more contentious than in 2002 (Yamamura 2009-05-27, 2010-01-09).

An even bigger exception to the general pattern discussed above (i.e., budget deficits leading to worse gridlock) is the 2009 budget process. In that case, the massive deficit at the start of the year clearly was a reason why a budget was passed in February, four months before the deadline (Table 7.3, page 389; Sanders 2009-02-20; Yamamura 2009-02-04; Yamamura, Smith and Sanders 2009-02-12; Yamamura and Wiegand 2009-01-01, 2009-01-08). Worsening fiscal conditions contributed to a swifter bipartisan compromise, in stark contrast to what I found in my analyses of other years.

An additional factor in 2009 was the looming cash crunch that the state government faced early in the year (Smith 2009-01-29; Wiegand 2009-01-25; Yamamura 2009-02-04). Lawmakers not only had to deal with a massive projected deficit for the upcoming fiscal year (\$41.6 billion) but also with the fact that the state was running out of money to pay its bills. This episode suggests that cash crunches might have a mitigating effect on gridlock; yet other instances show that cash crunches do not have a clear-cut effect. For example, later in 2009, the state government had to pass a revised budget after the original budget fell apart (thanks in part to voters' rejection of the ballot initiatives on which it hinged) (Wiegand 2009-05-20); as the state approached the July 1st deadline, there was again the imminent risk of the state running out of money and having to issue IOUs (Wiegand, Sanders and Ferriss June 25th 2009). Yet rather than prompting state officials to compromise, Schwarzenegger sought to use the crisis as leverage over Democrats (Wiegand 2009-06-12; Yamamura 2009-07-02). This strategy arguably was successful, pushing Democrats to agree to large spending cuts about two weeks after the state began issuing IOUs (Wiegand 2009-07-29; Yamamura 2009-07-02, 2009-07-21). In this episode, the cash crunch did put pressure on lawmakers to compromise, but only after its onset.

In addition to these episodes in 2009, the state faced the risk of running out of cash in three other years – 2002, 2003, and 2008 (Bluth 2003-05-03, 2003-06-12; Hill 2003-07-03; Lin 2008-05-06, July 11, 2008; Sacramento Bee 2003-03-09; Sanders 2002-07-28). Unfortunately, my narrative analyses of 2002, 2003 and 2008 did not provide evidence that would allow me to assess how, if at all, the cash crunch affected the budget stalemates in those years. It seems plausible that in 2003 the cash crunch may have been one factor that mitigated gridlock, as the length of the delay was relatively short given other factors (high polarization and size of the deficit). Based on what I found, the recall campaign provided the pressure on Democrats to

conclude the 2003 budget process, even as it meant costly concessions (Walters 2003-07-30); the cash crunch plausibly factored into their decision-making on this as well, but I didn't find evidence to confirm or disconfirm this possibility. In summary, based on the budget processes I studied, I cannot draw any general conclusions from about the relationship between cash crunches and gridlock.

An Overall Explanation

In summary, the comparative analysis of the Davis years and Schwarzenegger Years points to a conjuncture of two primary factors that explain why, in general, gridlock was higher under the latter. Gridlock was worse because of the combination of increasing partisan polarization (both within the legislature and within the electorate) and the recurrence of deficits that provided the trigger for intense partisan conflicts. Since budget deficits were projected three out of five years under Davis, compared with six out of seven years of Schwarzenegger's gubernatorial period, fiscal conditions were more conducive to partisan conflicts under the latter. Furthermore, as partisan polarization increased, the two parties (especially Republicans) became more inclined to respond to budget deficits by proposing incompatible solutions. This intensified partisan conflicts over the budget and made lengthy budget delays more likely. This conjuncture effect was reinforced by a further element: Schwarzenegger's rightward turn towards the end of his term.

However, overall, the change in control of the governorship (from Democrats to Republicans) was less important for gridlock than partisan polarization and fiscal conditions. If Schwarzenegger had been more closely aligned with Republican legislators throughout his governorship, it is very plausible that the intensity of budget conflicts, and the length of budget

delays, would have been even worse. The implication for my theory is that divided partisan control is more conducive to gridlock when political parties are polarized, but less conducive to gridlock when parties are not ideologically unified. Schwarzenegger's rightward shift at the end of his term illustrates this point; when he aligned himself with Republican legislators in demanding large spending cuts, the conflict between the parties became more intense and budget stalemates became a very likely outcome.

While the conjuncture of increasing polarization and recurring deficits largely account for the general difference in gridlock between the Davis and Schwarzenegger periods, they do not offer a full explanation for why gridlock varied from year to year. As shown in Chapters 4 and 5, and discussed earlier in this section, various other elements are necessary to explain variations in the length of budget delays within the gubernatorial periods. For example, given the massive deficit and high level of polarization in 2003, the budget delay was relatively short (32 days); this is best accounted for by a unique condition, the recall election (Walters 2003-07-30). Additionally, the 2009 case does not fit clearly into a comparison with other years (as discussed above). However, the combination of partisan polarization and fiscal conditions is a strong *overall* explanation for why gridlock varied from year-to-year; it explains why there no budget delays during years of projected surpluses, why there were budget delays of various lengths during years of projected deficits, and why the delays were lengthier in the later years of Schwarzenegger's governorship than in the later years of Davis' governorship.

Davis (1999-2003) versus Brown (2011-2014)

As shown in Table 7.1, there was a stark difference between the gridlock that occurred under Gray Davis (1999-2003) and the absence of gridlock during Governor Brown's third term (2011-2014). Here I consider four different factors that might account for this contrast: 1) the extent of partisan polarization, 2) the presence of veto points, 3) the patterns of partisan control, and 4) fiscal conditions. Again, I do not just consider each factor separately but also how they combine with one another in particular ways that can account for variation in the level of gridlock.

Veto Points

The first factor identified by my theory, the number of veto points, stands out as an obvious difference between the Davis and Brown years. Davis and lawmakers could not enact budgets with two-thirds support in both houses due to the supermajority requirement for enacting budgets, whereas Brown and lawmakers only needed a majority in both houses. My narrative analyses of budget gridlock under Davis showed that this supermajority requirement was the crucial veto point at which the budget processes were stalled in 2001 through 2003 (Bee Capitol Bureau 2001-07-02; Bluth 2003-06-28; California State Legislative Counsel N.d.02, N.d.09, California State Legislature. N.d.13, N.d.34; Hill 2001-06-27, 2001-06-28, 2001-07-01, 2002-06-30; Sanders 2001-07-15; Smith 2001-06-30). In these years, the Republican minority in one or both houses utilized the supermajority rule to hold up budgets as a way to extract concessions from Democrats. On the other hand, my narrative analyses of the budget processes under Brown showed that, without the supermajority rule for budgets, the Republican minority lost much of its leverage and was sidelined by Democrats (LA Times 2011-06-29; Siders and White 2014-06-16;

Yamamura 2012-03-30, 2012-06-11, 2012-06-12, 2012-06-15). While the Republican minority continued to have influence on fiscal issues that still required a 2/3rds vote, like tax increases (Sanders 2011-03-03; Siders and Miller 2014-04-17; Van Oot, 2011-02-23; Yamamura 2011-02-24, 2011-03-15, 2011-03-29), they could no longer use budget delays to force Democrats to make policy concessions. For these reasons, my research shows that the supermajority rule for budgets was a crucial condition for producing gridlock under Davis, and that its absence was also necessary for the disappearance of gridlock under Brown.

However, as argued in Chapter 4, the supermajority rule was *not* a sufficient condition; otherwise, all of the budgets under Davis would have been obstructed, rather than 3 out of 5 (Table 7.2, page 386). A further caveat is that the supermajority rule was necessary for the *specific* pattern of gridlock in the Davis years (intra-legislative); the elimination of the supermajority rule (as shown by the 2011 narrative analysis) actually makes a different veto point – the Governor’s ability to veto – a potential source of gridlock in future decades (Wilson 2011:314; Yamamura 2011-06-16, 2011-06-17).

Patterns of Partisan Control

In regards to the second factor identified by my theory, the pattern of partisan control, there are clear differences between the Davis years and Brown years (Table 7.3, page 389) that correspond with the difference in the level of gridlock. Two of the Brown years (2011 and 2012) had a similar *partisan composition* to that of the Davis years: a Democratic governor, Democratic majorities in both houses, and Republican minorities that held at least a third of the seats in each house (Table 7.3). Yet there was a very different *pattern of partisan control* in 2011 and 2012 versus the Davis years. 2011 and 2012 were years of unified partisan control (again, at

least in terms of the budget process), because Democrats held the governorship, had a majority in both houses, and only needed a majority of votes to pass the budget. In contrast, 1999-2003 were years of divided partisan control, since the Democratic majorities were not large enough to overcome the supermajority requirement (Table 7.3; Bluth 2003-06-03; Capps 1999-05-28, 2000-01-14; Hill 2001-05-26, 2002-05-29; Smith 1999-03-24).

In 2013 and 2014, the partisan composition of the government differed from that of the Davis years (Table 7.3, page 389). In 2013, Democrats possessed a rare supermajority in both houses as well as the governorship, which neither party had achieved since the 1930s (Table 7.3; Sanders 2012-11-08; Sanders and Ortiz 2012-11-15; Wilson 2011). This gave Democrats an unprecedented degree of control over state policies, although it only lasted for a brief period (Rosenhall 2014-06-17; Siders and Miller 2014-04-17; White 2014-04-07). My narrative analysis indicates that this condition was favorable to the enactment of an on-time budget, but not crucial; at the end of the day, Democrats only needed a majority of votes to pass the budget bill.

In 2014, Democrats (functionally) lost their supermajority in the Senate (Rosenhall 2014-06-17; Siders and Miller 2014-04-17; White 2014-04-07), dropping to 25 out of 40 seats, while retaining their supermajority in the Assembly (California State Legislature 2014; NCSL 2014). This configuration of partisan control differed from the three other years of Brown's governorship (Table 7.3, page 389). However, Democrats only needed a majority of votes to pass the budget, so the loss of three Democratic Senators did not jeopardize their control of the process (2013-2014 Senate Weekly History, Regular Session). In contrast, a similar partisan composition under Davis (because of the supermajority rule) would have constituted divided partisan control of the process, with Senate Democrats forced to win over Republicans. In sum,

the pattern of partisan control had a clear influence on the chances for budget gridlock. However, in the specific comparison of Davis versus Brown, the change in partisan control was largely conditional on the absence of the supermajority rule under the latter.

Partisan Polarization

Now I consider whether the third factor identified by my theory – the level of partisan polarization – can account for the sharp difference in the level of gridlock between the two periods. My theory of political decision-making proposed that high (and increasing) partisan polarization would lead to more partisan conflicts, which in turn would be conducive to political gridlock. This claim was supported by my narrative analyses of budget gridlock under Governor Davis, in 2001 through 2003 (Bluth 2003-04-30; Bluth and Hill 2003-02-27; Hill 2001-05-15, 2001-06-20, 2001-06-23, 2001-06-24, 2001-06-27, 2001-06-28, 2002-05-14; Sacramento Bee 2003-03-02; Smith 2001-07-17; Yamamura 2001-07-11, 2001-07-30, 2002-01-04; Walters 2001-07-10, 2003-06-25).

However, this theoretical claim does not offer an explanation for why gridlock was absent under Brown but moderate under Davis. The level of partisan polarization was arguably higher during Brown's governorship than during Davis' governorship (Baldassare 2004a, 2008; PPIC 2004, 2008). Although I lack statistical data on partisan polarization in the California electorate post-2010, the evidence for the 2000s indicated that the ideological divide between Democratic and Republican voters sharply increased in the early 2000s and widened further on some issues over the remainder of the decade (Baldassare 2004a, 2008; PPIC 2004, 2008). I found no evidence that there was a reversal of this trend during the early 2010s.

As for assessing polarization in the legislature, Masket's (2009) data on partisan voting patterns in the Assembly unfortunately ends at 2003. Two electoral reforms that were approved by voters – a nonpartisan redistricting commission, and the 'top-two primary' – were intended to reduce partisanship during the early 2010s (Kousser, Phillips and Shor 2015; Masket 2014; McGhee and Mitchell 2014-07-25). However, existing studies suggest that these types of reforms have little impact on polarization (Masket, Winburn and Wright 2012; McGhee 2010; McGhee et al. 2014; also see discussion in Masket 2014, and in McGhee and Mitchell 2014-07-25). Furthermore, a recent study of California politics indicated that the reforms did not reduce polarization (at least in the short-term) amongst California's congressional candidates (Kousser, Phillips and Shor 2015:3, 28). In my own narrative analyses, I also did not find evidence that polarization decreased in the legislature in the late 2000s or early 2010s.

Given that partisan polarization was higher during Brown's third term than during Davis' gubernatorial period, the implication of my theory is that this would have made gridlock more probable, not less probable. This is completely inconsistent with the absence of gridlock under Brown. For example, even though Democrats and Republicans sharply disagreed on fiscal policies in 2011 and 2012 (Ferriss 2011-02-17; Goldmacher 2011-05-15; Van Oot, 2011-02-23; Yamamura 2011-02-24, 2011-03-15, 2011-03-29, 2012-03-30), the budget bills were enacted on time in these years (Table 7.2, page 386; Yamamura 2011-06-30; Yamamura, Van Oot and Sanders 2012-06-28).

On the other hand, when I discussed the possible conjunctures of political conditions that might influence the level of gridlock, in Chapter 1, I identified an alternate possibility. When there is unified control of government, and relatively few veto points, partisan polarization may have an opposite effect on gridlock than under different conditions. That is to say, greater intra-

party cohesion might actually be conducive to efficient policymaking when a single party controls the policymaking process, and there are few opportunities for the process to be stalled. This alternative possibility raised by my theory is consistent with the absence of gridlock during the Brown years. I elaborate further on this point below.

Fiscal Conditions

Fourth, both the Davis years and Brown years were periods in which there were some years of projected surpluses and some years of large projected deficits (Table 7.4, page 395). The temporal sequence, though, differed; Davis began his governorship during a period of windfall revenues (Capps 1999-05-15, 1999-05-18, 1999-11-18, 2000-01-11, 2000-01-14 2000-02-18, 2000-05-16, 2000-11-16). However, by Davis' final year in office, the state was facing a staggering deficit (Table 7.4; Hill 2002-11-15, 2002-12-19, Sacramento Bee 2003-01-12). In contrast, Brown started his third term (in 2011) facing large projected deficits, but the state had turned the corner by the end of his third term (Table 7.4; Siders, Miller and White 2014-01-09).

As I argued in Chapter 4, the influx of revenues (and resulting budget surpluses) in 1999 and 2000 reduced the potential for gridlock in these years (Capps 1999-06-18, 1999-06-30, 2000-06-23, 2000-07-01). The surpluses made it possible for both Democrats and Republicans to secure policy wins in the budget act, simultaneously boosting spending and cutting taxes; this made it easier to resolve partisan conflict over the budget. When fiscal conditions swung sharply in the opposite direction, partisan disagreements were heightened (Bluth 2003-02-17; Bluth and Hill 2003-02-27, 2003-03-11; Hill 2002-05-14, 2002-05-15, 2003-01-10, 2003-01-11, 2003-01-29; Sacramento Bee 2003-03-02; Yamamura 2002-01-04, 2002-01-06). In turn, partisan conflict increased and led to budget delays (Bluth 2003-06-09, 2003-06-10, 2003-06-11, 2003-06-25,

2003-06-28, 2003-07-16; Hill 2002-05-29, 2002-05-31, 2002-06-26, 2002-07-09, 2002-07-12; Sanders 2002-07-28; Walters 2002-05-28, 2002-06-16, 2002-08-13, 2003-06-25; Wiegand 2002-08-08). Fiscal conditions, then, are a necessary factor for understanding variation in gridlock under Governor Davis.

The comparison between the Davis years and Brown years, on the other hand, indicates a less straightforward relationship between fiscal conditions and gridlock. Looking at the 2011 budget process, when the state was still struggling with the fiscal effects of the recession, the budget shortfall did provide a basis for partisan conflict (Ferriss 2011-02-17; Goldmacher 2011-05-15; Van Oot 2011-02-23; Yamamura 2011-02-24, 2011-03-15, 2011-03-29). Democrats sought to address the shortfall by asking voters to approve tax increases while Republicans were adamantly opposed to this idea. However, in the absence of the supermajority rule, the Republican minority was unable to block the passage of the budget bill (Ferriss 2011-02-17; Goldmacher, 2011-06-14). This example supports the notion that dire fiscal conditions are conducive to partisan conflicts, but also indicates that budget deficits do not by themselves lead to gridlock, in the absence of other conditions.

An Overall Explanation

In summary, the comparison of the Davis years and Brown years strongly supports my earlier finding (from the narrative analyses) that the supermajority rule was crucial for the occurrence of gridlock under Davis, and that its absence was likewise crucial for its disappearance under Brown. Other factors do not offer an adequate explanation for the difference between the two gubernatorial periods. Partisan polarization was higher under Brown than Davis, so it cannot account for why gridlock would be lower. The partisan composition of the

government was similar for Davis' years in office and Brown's first two years in office, and partially similar in 2014, so not enough to explain the difference in budget delays. Rather, the elimination of the supermajority rule meant that the patterns of partisan control under Davis and Brown were quite different, despite there being a similar partisan composition. Additionally, based on the budget deficits of Brown's first years of office (plus high polarization, we might expect the budget processes of 2011 and 2012 to resemble the contentious, gridlocked process of 2002. Yet without a supermajority rule, intense ideological disagreement over how to deal with budget deficits was not sufficient to produce budget delays.

Therefore, only the removal of the supermajority rule for budgets (and the associated shift to unified government) can account for why there were no budget stalemates under Brown, in contrast to Davis. Democrats had unified control of the *budget process*², because they had majorities in both houses, control of the governorship, *and* – crucially – because it only took a majority vote to pass the budget. Under Davis, there was divided partisan control; even though Democrats had majorities in both houses and held the governorship, they needed a supermajority for budget bills.

This explanation for the difference in the level of gridlock between the Davis years and Brown years cannot, of course, explain variation in gridlock within the Davis period. 2 out of 5 of Davis' budgets were enacted on time, even with the supermajority rule in place, and gridlock was substantially longer in 2002 than in 2001 and 2003. Nonetheless, the comparison here is valuable because it confirms a main finding from earlier chapters - that the supermajority rule, as

² Technically, with the exception of 2013, Democrats did *not* have a full control over fiscal policy, because there was still a supermajority requirement to raise taxes that gave Republicans leverage (Sanders, 2011-03-03; Van Oot 2011-02-23; Yamamura 2011-02-24, 2011-03-15, 2011-03-29).

a veto point, was a necessary condition for budget gridlock in California, and that its removal was necessary for the disappearance of gridlock.

Conclusion

In this chapter I set out to compare gridlock between the governorships of Davis, Schwarzenegger, and Brown in order to account for differences between the three time periods. The comparative analysis allowed me to assess and elaborate on my findings from my narrative analyses of the budget processes from 1999-2014. I found that the combination of higher polarization and worse fiscal conditions explained, in general, why budget delays were worse under Schwarzenegger than his predecessor, Davis (Chapters 5 and 6). This general explanation fits well with the chronological evidence presented in my historical narrative analyses. On the other hand, in the comparison of the Davis years and Brown years, I found that the supermajority rule for budgets was the key variable. This comparison was very useful for confirming the findings from Chapters 4, 5 and 6. Since there was no variation in the supermajority rule within each gubernatorial period, I was unable to address this comparatively in the chapters for each governor. In this chapter, by comparing the Davis and Brown Years, I definitively showed that the two-thirds rule for budgets was a major cause of budget gridlock.

I now turn to the implications of my comparative analysis for my theory of political decision-making, assessing the claims in light of the findings discussed above. First, my comparative analysis provides strong support for the claim that gridlock is more likely when there are more veto points. The sharp difference between the Davis years and Brown years can only be explained in terms of the crucial change in institutional structures: the elimination of the supermajority requirement for passing budgets. As a caveat, though, my comparative analysis

cannot provide support for the importance of the supermajority requirement for *taxes*, since this was present throughout the period studied (so no variation). Likewise, the comparative analysis cannot show the importance of other veto points in the process – the ability of either house or the conference committee to vote no on budgets, and the governor’s ability to veto budgets. Still, since the supermajority requirement for budgets proved to be so important for explaining gridlock in prior chapters, the comparative analysis strongly confirms my theoretical claim regarding veto points.

Second, my comparative analysis provides support for the claim that divided partisan control is more conducive to gridlock than unified government; but here I found that this factor cannot be considered separately from the structure of veto points. Governments with similar partisan compositions (as for much of Brown’s third term compared with Davis) can constitute different patterns of partisan control based on the current locations of veto points. Setting aside this complication, my comparative analysis supports this theoretical claim; I found that *unified partisan control* of the budget process (under Brown, in 2011-2014) was more conducive to an efficient budget process than *intra-branch divided partisan control* (under Davis). To a more limited extent, I found that when there was both *intra-branch* and *inter-branch* divided partisan control (under Schwarzenegger), the budget process was even more prone to gridlock. Thus, my claim regarding the importance of the patterns of partisan control is confirmed by the analysis in this chapter.

Third, my comparative analysis provides some support for the claim that partisan polarization (by intensifying political conflicts) increases the chances of gridlock. On the one hand, this claim is supported by the comparison between Davis and Schwarzenegger, as increasing polarization is a key part of the explanation for why gridlock was worse under the

latter. On the other hand, the comparison between Davis and Brown indicates the need to qualify this claim, as there was no gridlock under the latter despite a higher level of polarization. This discrepancy indicates that the effects of polarization are dependent upon other conditions, namely veto points and the pattern of partisan control. This shows why it is important to consider the overall conjuncture of factors, not just each one separately.

Finally, my comparative analysis is relevant for understanding how different configurations of the three factors (polarization, veto points, partisan control) influence the chances for gridlock. The Schwarzenegger years show one potential conjuncture: numerous veto points, extensively divided partisan control, and high partisan polarization. As suggested in my theory (Chapter 1), this conjuncture was highly conducive to gridlock. In stark contrast, during Brown's third term there was a different conjuncture of these factors: fewer veto points, unified partisan control (of the budget process), and high partisan polarization. As suggested in Chapter 1, this combination was highly conducive to efficient decision-making on the budget. Furthermore, under this conjuncture, high partisan polarization was, if anything, conducive to efficient policy-making rather than, on balance, making gridlock more likely. In the Brown Years, the ideological cohesion of Democrats enhanced their ability to reach compromises between the Governor and the two houses in a timely manner. Thus, to reiterate, my comparative analysis shows why it is important to consider the conjunctures between causal factors, and their joint effect, not just the effects of each factor in isolation.

Conclusion

In this dissertation I have presented a theory of political decision-making to account for variation in the level of gridlock in democratic states (or, conversely, the level of effective and efficient decision-making). I have used this theory to help me account for the rise of budget gridlock in California from 1969-2010, and then its disappearance since then. Very generally, I argued that the conjuncture of three factors – numerous veto points, divided partisan control, and increasing partisan polarization – were the necessary factors that led to the rise of gridlock, while the reduction in the number of veto points after 2010 and the related shift towards unified partisan control of the budget process were necessary causes of the disappearance of gridlock.

In this conclusion I discuss the extent to which my theory does (and does not) explain the overall rise and fall of budget gridlock in California, as well as variation in the length of budget delays from year to year. After that, I discuss the broader relevance of my study for political sociology broadly, and fiscal sociology in particular. Lastly, I discuss the relevance of my study for future research on political gridlock in the United States and other contexts.

Assessing my Theory of Political Decision-making

My theory started from the premise that the structures of political institutions shape political conflicts and their outcomes (see Chapter 1). Following from this premise, I argued that the state's capacity for political decision-making – for creating new laws, policies, etc. – is influenced by three factors: 1) the number of veto points, 2) the pattern of partisan control, and 3) the extent to which parties are polarized in terms of social and ideological cleavages.

Furthermore, I argued that these factors operate in conjunction with one another. I elaborate on these points in the following paragraph.

First, the number and location of *veto points* in the state shapes the distribution of political power, giving more power to the opponents of political proposals than to their supporters. For this reason, I claimed that the greater the number of veto points, the greater the chances of gridlock – that political proposals will be delayed or killed altogether. Second, I argued that the pattern of partisan control of the government influences the chances for gridlock. When control of veto points is divided between political parties, the parties have the ability to block one another's political proposals. When a single party controls all of the veto points, other parties lack this leverage. For this reason, I claimed that the more that partisan control of veto points is divided between parties, the greater the likelihood of gridlock. Third, I argued that the extent of alignment of political parties with social and ideological cleavages influences the intensity of partisan conflicts. When parties are more polarized on social and ideological lines, then conflicts will be more intense. In turn, the greater the intensity of conflicts, the greater the chances for gridlock. However, the three factors do not operate in isolation; instead, I argued that the particular, historical conjunctures between these factors will explain why and when political decisions are blocked.

My theory of political decision-making fits fairly well with my findings, though there are some weaknesses and oversights that will be addressed in the following paragraphs. First, my study strongly confirms the first claim, that the number of veto points influences the level of gridlock. In my specific case, I found that the creation of the two-thirds rule for passing budgets (in 1962) was a necessary condition for the rise of gridlock; without the addition of this veto point to the political process, the pattern of gridlock that I observed would not have been

possible (see Chapter 3). The creation of the supermajority rule for taxes (in 1978) also contributed to budget delays in subsequent decades, but was not as crucial as the two-thirds rule for budgets in my estimation (see Chapters 4-7). My analysis of the 2011 budget process suggested that the state government can manage to pass budgets under the two-thirds rule for taxes, although the substance of budgets will continue to be shaped by this rule (in terms of reducing the probability that tax increases will be included in budget deals) (Chapter 6).

Although the supermajority rule for passing budgets was a necessary condition for the rise of gridlock in this particular case, this is not to say that gridlock would not have occurred at all if this rule had not existed. After all, there are other veto points in the political process in California that have been in place throughout the state's existence: the ability of committees to block legislation (although this is not relevant to must-pass bills like the budget), the ability of each house to block bills, and the governor's ability to veto bills. Indeed, the latter became more salient after the elimination of the two-thirds rule in 2010 (Chapter 6). Yet this fact does not challenge my basic claim, that veto points are a necessary condition for gridlock; in a counterfactual world where the proto-supermajority rule had never been created (in 1933), or never modified into a full-fledged supermajority rule (in 1962) (Chapter 3), episodes of gridlock would likely have centered on other veto points, especially the governor's ability to veto budgets. This is suggested by the 2011 budget process where the governor (for the first time in state history) vetoed a budget bill (although with enough time before the deadline to still get the budget enacted on time) (Chapter 6).

My dissertation also allowed me to address how changes in the presence of veto points affect the political process. This enabled me to reach the conclusion that veto points matter with a greater degree of confidence than studies of cases in which the presence of veto points did not

vary (e.g., Steinmo and Watts 1995). My narrative analysis of the budget processes during Brown's third term (see Chapter 6) and my comparison between the Davis Years and Brown Years (see Chapter 7) showed that the elimination of the two-thirds rule for passing budgets (in 2010) had an immediate effect on the budget process; suddenly, the legislative minority lost much of its leverage in the budget process. (The only reason it retained any leverage was because of the two-thirds rule for taxes, which remained in place). Thus, I found that when the number of veto points decreases, this can immediately make the political process more efficient. On the other hand, I found that there can be a temporal lag between the *creation* of veto points and their gridlock-inducing effects. The full-fledged supermajority rule for budgets was created in 1962, but the first episode of gridlock was not until 1969, and lengthy budget delays (over a month) did not occur until the 1990s (see Chapter 3). Similarly, the two-thirds rule for taxes was created in 1978, but for the most part did not have repercussions for budget gridlock until the 2000s (see Chapters 3-6). This points to the importance of considering veto points as part of a conjuncture with other factors, not just in isolation. Rather than having static effects, there is *institutional dynamism* as other political conditions change.

This brings us to the second claim of my theory, that the pattern of partisan control of veto points influences the level of gridlock (Chapter 1). My study strongly supports this claim, as I found that the pattern of rising budget gridlock was inextricably linked with partisan conflicts in which the minority party (usually Republicans, but also Democrats in a few early instances of gridlock) had both the ability and incentives to use the supermajority rule to hold up the budget process (Chapters 3-7). To a lesser extent, when there was a Republican Governor and a Democratic majority in the legislature (as in 1983-1998 and 2004-2010), this division of control also was conducive to gridlock (Chapters 3,6, and 7). Control of the governorship was less

significant than the partisan composition of the legislature for the aforementioned reason that the governor's veto ability was overshadowed by the two-thirds rule, which preceded it in the budget process. As a counterfactual, if a single party had held the governorship and a supermajority of seats in both houses of the legislature, then episodes of budget delays would probably have been very rare or not occurred at all. Under unified government, electoral incentives and intra-party pressure would have strongly mitigated against letting the new fiscal year start without a budget.

However, my findings also point to the importance of considering the pattern of partisan control in conjunction with the presence of veto points. I found that the pattern of partisan control is actually conditional on the presence of veto points (Chapter 7). Comparing the Davis Years with the 2011 and 2012 (when Brown was governor), the pattern of partisan control differed even though the partisan composition of the government was roughly the same. What changed was the presence of the two-thirds rule for passing budgets; when it was present, absence, a Democratic majority in both houses of the legislature (but short of a supermajority) and a Democratic Governor meant divided partisan control of the budget process, whereas after its removal this constituted unified control of the budget process.

The conjunction of veto points and the pattern of partisan control provide a useful explanation for the occurrence of budget gridlock, but don't account for variations in the intensity of partisan conflict. Logically, divided partisan control of veto points should matter more when the parties are highly conflictual and matter less when the parties are more inclined towards compromises. The third claim of my theory addressed this issue (Chapter 1): I argued that the more that partisanship is aligned with social and ideological cleavages, the greater the chances of political gridlock.

My findings provide some support for the third claim, but not as much as for the other two claims. On the one hand, at the elite level, the secondary sources I reviewed indicated that Democratic and Republican elected officials became more ideologically polarized from the 1960s through the 2000s, and became more polarized along geographic lines from the 1980s to the 2000s (Chapters 3-6). My narrative analyses supported the argument that ideological polarization affected the intensity of political conflicts, but I did not find evidence that linked geographic polarization to the intensity of political conflicts. On the other hand, on the mass level, secondary sources showed increasing social and ideological polarization amongst the broader electorate from the 1980s to the present, although the evidence for ideological polarization was stronger. However, my narrative analyses did not provide a clear link between partisan polarization at the mass and elite levels. Although the trends are consistent with my theory and the evidence is suggestive of some link between the two, my findings did not allow me to conclude that mass polarization led to more intense partisan conflicts amongst party elites.

Counterfactually, it is difficult to imagine that California would have experienced an increasing level of budget gridlock in the absence of rising polarization. If the ideological gap between the two parties had remained static from the 1960s on, but there was also divided partisan control of veto points, then the minority party in the legislature would likely have taken advantage of the veto points to extract small concessions (as in the late 1960s and early 1970s) (Chapter 3). However, I contend that the growing ideological (and to a lesser extent demographic) gap between the two parties provided the impetus towards increasing partisan conflicts that made the parties (especially Republicans) more willing to block budgets and made it more difficult for inter-party compromises to be reached. The narrative analyses showed the importance of strong ideological disagreements – including mutually exclusive policy

preferences - for explaining why elected officials were increasingly unable to enact budgets on time (Chapters 3-6).

On the other hand, the narrative analyses showed that partisan polarization between Democrats and Republicans was *asymmetric* (Mann and Ornstein 2013:51), with Republicans increasingly adopting more extreme positions than their Democratic counterparts (Chapters 4-6). The best illustration of this point is the Republicans' nearly unanimous opposition to all tax increases since the late 1990s, whereas Democrats never held such a position regarding spending cuts (Chapters 4-6). My theory did not address this possibility, but it was important for understanding my own case. Furthermore, as Mann and Ornstein (2013:51-52, 102-103, 130-132, 184-197) indicated, distinguishing between symmetric and asymmetric polarization is also relevant for understanding gridlock at the federal level, so asymmetric polarization is not just a quirk of California. Therefore, future works should both draw a distinction between different forms of partisan polarization and assess claims regarding their potentially different effects on political conflicts.

My study also allowed me, to some extent, to consider how different conjunctures of the three factors (number of veto points, pattern of partisan control, and degree of partisan polarization) can produce different outcomes. I found that the particular conjuncture of these factors in California from the 1980s through the 2000s – numerous veto points, persistent divided partisan control (with some variation) and increasing polarization – was highly conducive to political gridlock (Chapters 3-7). This conjuncture lines up with the expected effects of each of the factors considered separately.

However, my theoretical argument also indicated that the outcomes of particular conjunctures may be inconsistent with the expected effects of each factor in isolation. I found

two alternate conjunctures to that described above, one that was less conducive to gridlock, and another that was more conducive to efficient political decision-making. First, looking at the 1960s through the 1970s, the two-thirds rule for budgets was in place and neither party controlled all of the veto points in the political process (Chapter 3); thus, there were numerous veto points and persistent divided partisan control (although with variations in the occupancy of the Governorship and partisan composition of the legislature). Nonetheless, the effects of veto points and divided partisan control were blunted by the fact that partisan polarization was less; with less of an ideological gulf between Democrats and Republicans, the parties were less inclined to use veto points as leverage and more inclined towards compromise. Thus, in this particular conjuncture, the relatively low degree of partisan polarization mitigated the gridlock-inducing effects of numerous veto points and divided partisan control, and the result was a relatively low level of budget gridlock from the late 1960s and most of the 1970s.

A second alternative conjuncture of factors occurred during Governor Brown's third term (2011-2014) (Chapter 6). Here, the supermajority rule for budgets had been eliminated, and Democrats had full control of the budget process (although only briefly had enough seats to raise taxes, as the two-thirds rule for taxes remained in place); consistent with my theory, I found that these two factors reduced the potential for gridlock. Partisan polarization remained high during this period, but not only were its effects blunted by the other two factors, but it appeared to actually work in the opposite direction; instead of making gridlock more likely, high polarization reinforced the cohesiveness of the Democrats in government and thereby made it more likely they would work together to ensure on-time budgets. Thus, in this particular conjuncture of factors, the gridlock-inducing effect of partisan polarization was reversed due to the other two conditions, which deprived the minority party of its ability to block the budget. In summary, my

dissertation supported my contention that it would be necessary to consider different conditions in conjunction with one in order to understand variations in gridlock, although I was only able to address a limited number of possibilities due to the specificities of my case.

I conclude this assessment of my theory by considering one major oversight: the absence of fiscal conditions. My theory of political decision-making did not anticipate that variation in the size of the state's projected deficit/surplus (and its cash on hand) would influence the level of political gridlock, but this relationship was indicated by Cummins' (2012) study of budget gridlock in California and mostly confirmed by my findings (Chapters 3-7). I found that large projected deficits were an important reason why gridlock spiked in particular years during the 1980s and early 1990s, whereas other conditions were not sufficient to account for this variation (Chapter 3). The presence of veto points was continuous, there were only small variations in the pattern of divided partisan control, and I found no evidence to suggest that the level of partisan polarization varied wildly from year to year in such a way as to explain spikes in budget delays. This makes variation in fiscal conditions the most plausible explanation for variation in the level of gridlock during this time period.

Variation in fiscal conditions was also important for explaining variations in the length of budget delays under Governors Davis and Schwarzenegger (1999-2010) (Chapters 4, 5 and 7). As discussed in the previous chapter, the three gridlock-free years were also years in which the state was projected to have a surplus, whereas the years in which budget delays occurred all coincided with projected deficits. Both the narrative analyses and the comparisons between years showed that fiscal conditions did, in fact, affect the intensity of partisan conflicts and thereby the length of budget delays.

On the other hand, I found that fiscal conditions were neither a necessary nor sufficient cause of budget delays. Budget gridlock occurred in 1997 and 1998 (the last two years of Wilson's term) even though there were projected budget surpluses (Chapter 3). Conflict occurred over how to use the surpluses (spending vs. tax cuts), rather than over how to make up for deficits. Furthermore, as shown by my analyses of the 2011 and 2012 budget processes (under Governor Brown), projected deficits were not sufficient to lead to gridlock (Chapter 7). Given the elimination of the two-thirds rule for budgets and Democrats' control of all of the remaining veto points in the budget process, negative fiscal conditions did not prevent Democrats from enacting budgets on time. Thus, my study showed that fiscal conditions did influence the level of gridlock in California, but in terms of specific conjunctures with the other factors.

It is not clear from my findings if fiscal conditions are important for explaining *political gridlock* more broadly, rather than just budget gridlock. On the one hand, fiscal conditions are especially salient for crafting budgets because budgets force legislators (at least on paper) to reckon with imbalances between overall revenues, overall spending, and overall borrowing. On the other hand, fiscal conditions might be relevant for a wide range of policies that pertain to spending, taxes, and borrowing, such as healthcare policies and infrastructure development. Given that fiscal conditions exacerbate partisan conflicts, there may even be spill-over into other policy areas that do not directly affect state finances. Thus, fiscal conditions may indeed be a necessary addition to my general theory of political decision-making (Chapter 1).

Relevance for Political Sociology

This study is relevant to three broader issues in political sociology: the factors that influence *state capacity*, the effects of political institutions, and the causes and outcomes of partisan conflicts. First, I hope to have convinced the reader that the ability to make political decisions in the first place is an important part of *state capacity*. Prior theories have focused on how macro-level structural conditions influence the capacity of states to *implement* policies and shape social life (e.g., Mann 1993; Skocpol 1992). For example, Orloff and Skocpol (1984, 726, 731) argued that the timing and extent of democratization and bureaucratization were key factors that accounted for the divergent social policy trajectories of Britain and the United States in the early twentieth century. Britain's greater degree of bureaucratization, and the beginning of this process before mass democratization, facilitated the implementation of expansive social policies, whereas the process of mass democratization in the U.S. began prior to, and hindered, bureaucratization and thereby reduced the prospects for social policy reforms (Orloff and Skocpol 1984: 726, 739-42).

However, if governments cannot make affirmative political decisions in the first place, then logically they cannot be implemented. The case of budget gridlock in California vividly illustrated how conditions that imperil efficient political decision-making undermine not only the state's ability to implement new policy choices, but also undermine its ability to continue existing policies (like providing financial aid to students) and to borrow money in the future. Thus, I showed why this is an important element of state capacity. I also showed how variations in meso-level conditions – like the number of veto points in the political process – influence this aspect of state capacity. Future works in political sociology should refine and assess the broader conceptualization of state capacity that I have sought to advance in this dissertation.

Second, my dissertation has contributed to the further development of political institutional theories by presenting an institutionalist theory of political decision-making that can be utilized in future research (Chapter 1). The virtue of my theory is that I present claims that map out the relationships between the structures of political institutions, the patterns of political conflicts, and the outcomes of political conflicts. While previous scholars have presented the general claims that political institutions shape conflicts and their outcomes, and that institutions shape the distribution of power (e.g., Amenta 1998:19, 29), my theory makes more explicit connections between these aspects of politics. By identifying the key veto points in the political process and the actors that control these veto points, we can understand how the institutional arrangements shape the distribution of political power, and thereby enhance the chances that particular actors will ‘win’ the conflict. In other words, my theory makes explicit links between the structures of political institutions, the distribution of power amongst the actors engaged in political struggles, and the outcomes of these struggles, i.e., the extent to which various actors are able to achieve their goals despite the opposition of others (to paraphrase Weber [(1922) 1978a]). I believe that this theory provides a useful framework that can both guide future research and be evaluated by future works in political sociology.

Third, my dissertation contributes to the revival of interest in the *sociology of parties* (see Mudge and Chen 2014:307, 312, 314-320), particularly in terms of the relationship between parties and their social bases as well as the factors that influence the severity of conflicts. The latter has been particularly neglected by political sociologists ever since the 1970s. For example, I could not locate a single work that assessed the claims from Lipset (1960) and Dahl (1960, 1967) regarding variations in the intensity of conflicts within democratic states. Yet I believe these claims are more relevant than ever for understanding political conflicts in contemporary

American society. I hope that I have convinced the reader that these older theories are directly relevant to political scientists' concern with "partisan polarization", and that these theories were empirically useful for understanding the causes of budget gridlock in California. Unfortunately, I lacked the evidence to establish a firm link between changes in partisan alignments amongst the broader electorate and partisan polarization at the elite level. Future works should address this relationship, as well as the relationship between polarization and conflict, by locating cases for which there is more data that can be used to evaluate my theoretical claim.

Relevance for Fiscal Sociology

In addition to being relevant for political sociology, the findings of my study are also complimentary to scholarly work in the sub-field of fiscal sociology (e.g., Block 1981, 2009; Krippner 2011; Martin 2008, 2009; Martin and Gabay 2013; Martin and Prasad 2014; Martin, Mehrotra, and Prasad 2009; O'Connor 1973; Prasad 2006, 2012; Steinmo 1993). Fiscal sociology is mainly concerned with understanding the causes and consequences of tax policies (Martin and Prasad 2014:332; Martin et al. 2009:1-4, 14), as well as with understanding the causes and consequences of fiscal crises (Block 1981; Krippner 2011:16-20, 92, 140, 144; Martin and Gabay 2013; O'Connor 1973). My dissertation has touched upon all of these topics and points to several directions for future research.

First, my study has provided evidence regarding the causes of tax cuts and tax limitations. My study highlighted how, in the case of California, the 2/3rds rule for spending impeded the state's ability to respond to the growing tax revolt in the 1970s (Chapter 3). In turn, the state government's inability to provide property tax relief in the late 1970s was a key reason that Proposition 13 succeeded. This finding complements the work of Martin (2008, 2009) and

Martin and Gabay (2013) on the causes of tax revolts and anti-tax reforms. For example, while Martin (2008:6-7, 27-28, 45-46, 52, 56-71) focused on how the modernization of property tax systems can unintentionally trigger tax protests, my work emphasized that another factor – the capacity for the government to respond – can affect the outcomes of tax protest (Chapter 3). My finding is therefore relevant for exploring the causes of tax cuts and restrictions on tax policy.

My work is also relevant to fiscal sociologists' interest in explaining the success of tax cuts and other neoliberal economic policies since the 1980s (Block 2009:68-69, 72; 84; Martin et al. 2009: 12; Prasad 2006, 2012). As suggested by Block (2009:69), my study indicated that the success of the anti-tax agenda was bolstered by “asymmetric mobilization”, with anti-tax groups more organized and committed than the supporters of tax increases (Chapters 5-6). However, my analysis also indicated that the 2/3rds rule for tax increases biased policy in the direction of tax cuts, thereby enhancing the power of anti-tax conservatives. Future research should explore the causes of tax cuts and tax restrictions in California (including the supermajority rule for tax increases) and compare California to other cases.

Second, my study is relevant for fiscal sociology's interest in how previous tax policy choices shape political conflicts (and thereby influence subsequent policy choices) (Martin, Mehrotra and Prasad 2009:13-14, 18). In the case of California, Proposition 13 put into place the 2/3rds rule for tax increases, which played a role in the budget conflicts of the late 1990s and 2000s (Chapters 3, 5 and 6). Proposition 13 also had major effects on the state's revenue-generating capacity and the fiscal relations between the state and local governments; the ramifications of these changes were outside the scope of the present study, but have been explored in other works (e.g., Gamage 2009; McCubbins 2010; Wassmer 2006). However, there is room for more research on the distributional consequences of these policies (in other words,

which groups benefited and which lost due to Proposition 13), comparisons with other states, and for connecting this important case to the broader research agenda of fiscal sociology (Martin, Mehrotra and Prasad 2009). California represents an extreme example where constitutional limitations (from Proposition 13 and other initiatives) have repeatedly transformed tax policies and constrained the legislature's subsequent policy choices; this makes it a useful case to examine in order to broaden the explanatory reach of fiscal sociology.

My study is also relevant to fiscal sociologists' interest in how tax policies are related to the origins and growing power of the anti-tax, conservative movement in the U.S. since the 1980s (Block 2009:68-69, 72-79, 84; Martin et al. 2009: 12; Prasad 2006: 43, 45; 97; Prasad 2012:352-353) and the rise of "neoliberalism" (Prasad 2006, 2012:352-3, 375). Like Martin (2008:108-111, 126) and Prasad (2006:46, 56; 2012:357-358), my study suggests that the origins of this transformation was partially contingent on Proposition 13, which indicated the broad appeal of an anti-tax political platform (Chapter 3). In California, it bolstered the electoral prospects of a new set of conservative Republican legislators, the "Prop 13 babies"; on the national level, Reagan's support for Proposition 13 linked the shift in California politics to the Republican party's embrace of the anti-tax agenda (Block 2009:71-72; Martin 2008:126-134; Prasad 2012:358). Fiscal sociologists should continue to explore the potential linkages between state-level tax politics in the 1970s and the subsequent shift in national-level politics (Block 2009:71-72; Martin 2008: 126-134).

Third, my study links to fiscal sociologists' interest in the causes of fiscal crises (Block 1981:1-3, 5-14; Block 2009:70; Krippner 2011:16-19, 92-94, 140; O'Connor 1973). The term "fiscal crisis" was developed to refer to the fiscal conditions of the U.S. during the 1970s and 1980s, during which the U.S. government was caught between limited revenues and increasing

spending on the military and domestic programs (Block 1981:1-2, 4; Krippner 2011:16-18, 92-94, 140; O'Connor 1973;). However, the concept of fiscal crisis (or the nearly identical concept of “structural deficit” [Martin and Gabay 2013:110-111]) can be applied to other contexts (Block 1981:1-2, 5-12, 24; Martin et al. 2009: 12; Martin and Gabay 2013:108, 111-112), such as the fiscal problems that have dogged California’s state government and those of other states within the U.S (Korey 2011; Murray et al. 2011).

Here it is important to make a distinction between cyclical deficits – those that arise due to downturns in the business cycle – versus structural deficits, which are caused by underlying imbalances between revenues, spending, and borrowing. The claims of fiscal sociologists pertain to the latter (Martin and Gabay 2013:110-1). Fiscal sociologists have suggested that fiscal crises are the result of unresolved conflicts between social groups (Krippner 2011:18-19, 140; Martin and Gabay 2013:111). While my own study suggests that broader social conflicts are linked to fiscal crisis to some extent, it also indicates that fiscal crises might also be perpetuated by the structures of political institutions and prior policies that impede resolutions (Chapters 3-6). For example, in the case of California, constitutional restrictions on the state’s revenue-generating capacity may have contributed to the long-term structural deficit, while also (along with the two-thirds rules) making it more difficult for policymakers to respond to this problem. Beyond this, political gridlock itself may make it more difficult to deal with a structural deficit, as indicated by the fact that budget delays made it more costly for California to borrow money (Chapters 3-5). For this reason, fiscal sociologists should examine California as a case of fiscal crisis and, more broadly, consider how the structure of political institutions and patterns of political conflict might bear on the possibilities for resolving fiscal crises in various contexts.

Lastly, my study links to fiscal sociologists' interest in the consequences of fiscal crises (Block 1981:5-6, 11-12, 22-24; Block 2009:71; Krippner 2011:19-20, 140, 144; Martin and Gabay 2013: 108, 111-114, 119, 123). Fiscal sociologists have suggested that a fiscal crisis/structural deficit (and political officials' efforts to resolve it) can both provoke further conflicts over taxation (Block 1981:5-6, 11-12; Block 2009:71; Martin and Gabay 2013:108, 111-114, 119, 123) and undermine the legitimacy of the state (Block 1981:2, 22-23; Krippner 2011:19; O'Connor 1973?). My own findings appear to be consistent with fiscal sociologists' claim that a structural deficit is itself a source of political conflict and discontent (Chapters 4-6), although I did not directly assess this proposition. Further research is necessary to consider the consequences of fiscal crisis in California, as well as to explore the effects of fiscal crises in other contexts.

Relevance for Studies of Political Gridlock

This dissertation is relevant for future research on political gridlock in three ways. First, my specific findings regarding California's budget gridlock are relevant for assessing the strengths and weaknesses of existing work in this area and point to ways it can be improved. Second, I have shown how the concepts and claims of political sociologists and comparative political scientists are relevant to the topic of political gridlock, and vice versa. Third, I developed a theory of political decision-making that is stronger than existing theories of gridlock and is useful for studying a variety of contexts.

First, my specific findings point to shortcomings in the existing theories and research on gridlock and how work in this area can be strengthened. To recap, I found that the pattern of increasing gridlock in California was driven by three factors: the creation of supermajority rules,

the fact that neither party even had full control of the budget process, and the increasing ideological (and, to a lesser extent, social) gap between Democrats and Republicans. To some extent, California's state government had unique institutional features that differentiated it both from the federal government and other states within the U.S., such as the supermajority rule for budgets. Nonetheless, my findings are highly relevant for assessing existing theories and studies of political gridlock. My case study allowed me to show that changes in the structures of political institutions (i.e., changes in the presence of supermajority rules) had a definite effect on the level of political gridlock. This shows the limitations of existing works that treat institutions as static and, worse, make theoretical claims premised on the particular institutional arrangement of the federal government (e.g., Krehbiel 1996, 1998). Theories of gridlock need to address variation in the structures of political institutions and how this can affect the level of political gridlock, and this is impeded by theories whose starting point are the institutional features of the federal government. In terms of research, future studies should locate cases (like the case of California) where there are changes in the rules and procedures of political decision-making, since it is these cases that offer the best means of assessing how political institutions shape the chances of gridlock.

My study also showed that divided government theory, in its current form, is inadequate for representing the conditions under which political decisions are made. The standard definitions of "divided government" and "unified government" gloss over the fact that holding the governorship and a majority of seats in a legislature does not guarantee that a single party will have control over political decision-making. Supermajority rules and other institutional features (like a strong committee system) can disperse control of decision-making within the legislature; in these cases, holding the governorship and the majority of legislative positions

should not be equated with “unified government.” In fact, it is rather surprising that these terms gloss over this fact given that various institutional features at the federal level (such as the ability of Senators to filibuster bills) do, in fact, give the minority party the ability to delay or block political decisions. The taken-for-granted use of these terms has impeded existing research on political gridlock and may be one reason that the findings of various studies regarding the effects of “divided government” are so inconsistent. Studies of gridlock that test for the effects of “divided government” versus “unified government” in the standard fashion (e.g., ignoring supermajority rules within legislatures) misrepresent the institutional and partisan conditions that affect political outcomes. We need a more sophisticated and complex understanding of the patterns of partisan control to reach stronger conclusions about its influence, which is what I have sought to do in the present study.

Furthermore, my study shows the utility of a qualitative, historical approach to studying political gridlock and why quantitative studies are insufficient for addressing this topic. Quantitative methods are highly valuable but their utility is bound up with the availability of a large number of cases, variation in key aspects of these cases that can be operationalized into variables, and the independence of the cases from one another. Studies of political gridlock usually rely on a fairly small number of cases (e.g., Krehbiel 1996, 1998) which are often not truly independent (as in the case of successive congresses) and which may lack enough (or any) variation in potentially important factors, like the presence of veto points. For example, Cummins (2012) provided a useful model for explaining variation in budget gridlock in California, but could not address whether or not the elimination of the two-thirds rule in 2010 led to a change in the likelihood of gridlock, there are simply too few years since 2010 to include them as cases within a statistical model. Additionally, by pushing aside invariant factors, the

conclusions drawn from models can be misleading. For example, models that show that partisan polarization is correlated with the level of gridlock may fail to account for the institutional conditions that are necessary for this correlation (such as the presence of veto points). Thus, qualitative, historical research is an important complement to quantitative research on gridlock. As in my study, it can allow researchers to show how changes in the structures of political institutions can influence outcomes when quantitative researchers cannot do so, and it can also show how the effects of institutional arrangements can change based on their conjuncture with other factors.

The findings of my study are particularly relevant for future studies of political gridlock over ‘must-pass’ legislation and other essential political decisions. As shown in my analysis of California’s budget gridlock, the structures of political institutions can give greater power to the opponents of political decisions than to their supporters. This poses a clear problem for state capacity when ‘must-pass legislation’ and other decisions are necessary for the continuing functioning of government (such as enacting a budget). However, in recent years, the U.S. federal government has become increasingly gridlocked over these essential decisions (Mann and Ornstein 2012:3-27; Montgomery and Helderman 2013; Sinclair 2014:715, 718-9; Wallach 2015; Weisman and Parker 2013), and there have been very severe budget delays in a few states. My findings regarding budget gridlock in California are pertinent to understanding political gridlock in these contexts; they suggest that particular combinations of three factors - the number of veto points, divided partisan control, and increasing partisan polarization – are important for understanding why there are stalemates over essential political decisions.

A second general way I contribute to future studies of political gridlock is by helping to open a dialogue between scholars in political sociology and comparative politics, on the one

hand, and scholars of contemporary American politics. The study of political gridlock relates to core areas of interest for political sociology such as state capacity, political institutions and political conflict, rather than being a topic of narrow importance. Political sociologists would gain much by incorporating the concept of “political gridlock” into existing research agendas, such as the well-developed literature on social policies that seeks to explain why reforms are enacted or blocked (e.g., Huber and Stephens 2001).

On the other hand, existing political science work on gridlock can fairly be accused of being a narrow body of literature – largely quantitative, highly focused on the federal government, and with very little integration with broader theories - even with broader theories of *American* politics. Studies of political gridlock would be strengthened by drawing on theories from political sociologists and comparative politics to guide research rather than just turning to the standard, undertheorized variables (like “divided government” versus “unified government”).

Third, beyond making an argument for why sociological theories of politics should be linked to research on political gridlock, I have also provided my own theory of political decision-making that, I believe, is highly useful for studying gridlock in a range of contexts. My theory is a significant improvement over the existing theories of gridlock due to its flexibility (e.g., it doesn’t presume the institutional features of the federal government) and recognition that different conditions come together in historical conjunctures that are more or less conducive to gridlock, rather than solely looking at each factor in isolation. The theory of political decision-making I provide can be applied to contexts with different institutional configurations, different patterns of partisan control, and variations in the alignment of parties with social and ideological cleavages.

As mentioned in the Introduction, budget gridlock is not unique to California, and recent budget delays in other states (e.g., Illinois) have dragged on even longer than the worst instances of gridlock that California experienced. My theory of political decision-making is clearly relevant for providing a framework for analyzing the causes of budget gridlock in other states and for comparing between states. My theory points to specific factors that should be examined in any given case and avoids the conceptual problems that have weakened previous research. Furthermore, despite some similarities across states, there are also variations in the factors identified by my theory that can be investigated to understand why some states experience severe budget delays while others do not.

My theory is also applicable to understanding political gridlock over various issues in the federal government, including over budgets. A particular topic worth investigating is gridlock over raising the debt ceiling (a limit on the amount of money the government can borrow). Congressional decisions to raise the debt ceiling merely authorize borrowing to pay for spending that Congress has already approved. Yet twice in the current decade, gridlock over raising the debt ceiling nearly brought the U.S. to defaulting on interest payments, which would have triggered a major economic crisis (Mann and Ornstein 2012:3-27; Montgomery and Helderman 2013; Sinclair 2014:715, 718-9; Wallach 2015; Weisman and Parker 2013). By drawing on my theory, scholars can develop sophisticated explanations for these severe instances of gridlock.

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