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**THE INNOVATION DECISION DESIGN  
IN THE DEVELOPMENT OF  
STATE AGING POLICY**

**By**

**Jeanette M. Hercik**

**A DISSERTATION**

**Submitted to  
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## **ABSTRACT**

### **THE INNOVATION DECISION DESIGN IN THE DEVELOPMENT OF STATE AGING POLICY**

By

Jeanette M. Hercik

This study examines the incentives and constraints on state-based innovative decision-making in aging policy. Utilizing data gathered from a 1995 national survey of state health and human service agencies and the state units on aging regarding plans and efforts underway in regards to the aging of the baby boom population in their state, this study explores the demographic, economic, political and internal organizational influences on the innovative decision-making process. In addition to this aggregate data analysis, four case studies of states defined as "outliers" in the aggregate analysis are highlighted.

This dissertation builds on the earlier work of Lammers and Klingman (1984) and tests hypotheses regarding the determinants of innovation advanced by Mohr (1969) and Downs and Mohr (1976; 1979). Innovation is defined as a process of decision-making, which is consistent with the Downs/Mohr definition (1976), and focuses on the internal determinants of innovation involving issues of organizational and leadership capacity within the state and links the innovation literature soundly with the agenda-setting literature. This study proposes that a state's ability to plan for and innovatively respond to the forthcoming demographic challenges of the 21st century is directly associated with the ability of the state to provide a collaborative environment among state agencies where current issues and problems are addressed and strategies for future policies are developed.

The findings indicate that the most consistent significant indicator of innovative state decision-making is the governance structure of state agencies. Simply put, when state agencies are encouraged to collaborate, there seems to be more innovation. Interagency collaboration is a significant and reliable determinant of innovative decision-making.

Four comparative studies of the states of California, Indiana, South Carolina and Vermont provide a more in-depth analysis of the level and type of "collaboration" necessary to make a difference in stimulating policy change. Contrary to the conflict-resolution hypotheses advanced by Baumgartner and Jones (1993), it is in this spirit of collaboration and within this cooperative environment where most policy change is evident and innovative policies found.



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1997

To

Christie, Katie and Scott,  
And in memory of my Father

## ACKNOWLEDGMENTS

This journey has been a long one. It's completion would not have been possible without the love and support of my family. So, this is first for my daughters, Katie and Christie, who gave up many a weekend with Mom so that I could write. They will always be the greatest accomplishment of my life. I look at them with wonder and awe, for they are so very special. I love them desperately. This is also dedicated to my husband, Scott, whose kind words, cheerful smiles, and constant encouragement were the only things that often made me stay on task. I will never be able to say thank you for his hours and hours of taking care of “life” so that I could work on this dissertation. At times, when I didn't think I would finish, he was there with gentle words and loving support. I would be lost without him.

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## **Prologue**

### **STATE POLICY AND ITS CENTRALITY TO THE NATIONAL SOCIAL POLICY DEBATE**

#### **Introduction**

'The focus of this dissertation is state policy, and specifically, state aging policy. State policy, as a base of comparative analysis, has long been a focus of political research. Thomas Dye argued that states provide an ideal opportunity for comparative analysis, given that all states operate under written constitutions which divide authority among executive, legislative and judicial branches, and that the structures of state governments are similar from state to state, making it easier to isolate causal factors in analysis of public policy outcomes (Dye, 1966). Utilizing the "innovative decision-making design" advanced by Downs and Mohr (1976) as a theoretical framework, this dissertation explores the enablers and constraints for the development of innovative state based aging policy. This dissertation is primarily an aggregate analysis of data gathered from a written survey, but is enriched with in-depth information reflecting four state experiences.

There are numerous conflicting opinions about the value of state studies. Some political scientists over the years have determined that there is so much variance among states that it is challenging to effectively and efficiently conduct multi-state analysis (Jewell, 1982). Malcom E. Jewell in his 1982 article criticized political scientists of not paying enough attention to what was happening on the state level. "... We have given too little thought and

devoted too little of our research resources to the field of state government and politics” (Jewel, 1982: 638). Fourteen years later at a speech at the 1996 annual policy conference of a national organization dealing with state issues, Peter Harkness, editor of *Governing* magazine, suggested that the same thing about political journalists.

So much power is being devolved to the states, yet the media has yet to catch up. It continues to focus on Washington, and not on the state capitals where real domestic policy is being made, and significant changes are happening (Harkness, 1996).

### **Laboratories of Democracy**

Historically, states have functioned as “incubators” for new ideas and as “test runs” of national policy. In 1932, Supreme Court Justice Louis Brandeis hailed the states as “laboratories capable of launching novel social and economic experiments.” Although consistent data gathering for multi-state analysis is difficult, there have been significant state based studies conducted, particularly limited comparative studies on a variety of issues including political culture, state legislatures, state parties and elections, governors, state administrators and interest groups (Elazar, 1972; Lowery and Sigelman, 1982, Erikson, McIver and Wright, 1987; Chubb, 1988; Patterson, in Gray, Jacob and Albritton, 1990; Hamm, 1980; Ray, 1986; Squire, 1988; Songer *et al.*, 1986; Weissert, 1991; Beyle, 1989, 1992; Sigelman and Dometrius, 1988; Brudney and Herbert, 1987; Gormley, 1982; Berry, 1982; Lammers and Klingman, 1984; Berry and Berry, 1990; and Osborne 1988). Especially over the past decade and half, it seems that state policy has been extremely relevant for explaining and predicting future national policy. “..the record of innovation in the states in the past suggests that not infrequently the ultimate consequence of state innovativeness is to provide a basis for subsequent action on the part of the federal government” (Lammers, 1989: 64).

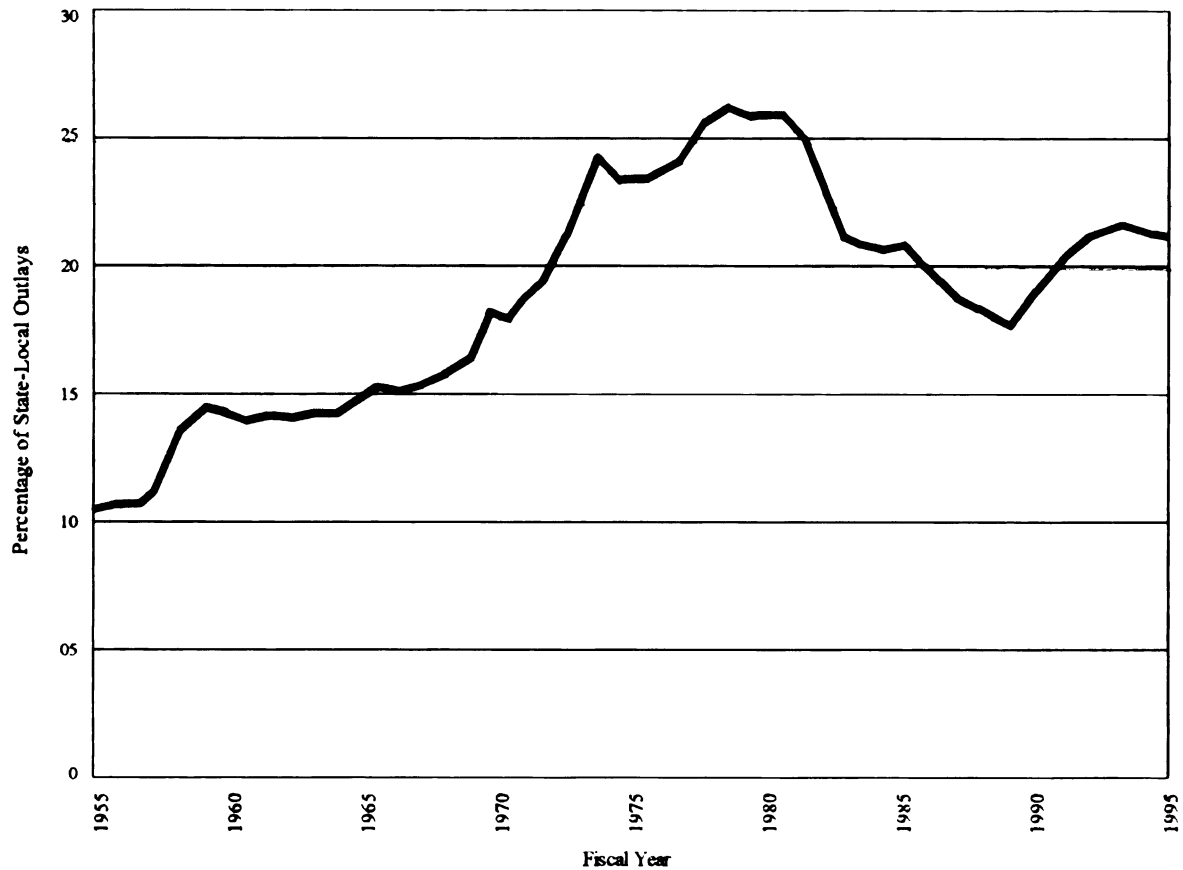
David Osborne in his book, Laboratories of Democracy: A New Breed of Governor Creates Models for National Growth, advances this notion of policy generation at the state level which ultimately moves into the national mainstream. He points to the progressive movement, which originated at the state and local level and grew up in response to the many problems created by rapid industrialization, urban growth and corrupt urban political machines. He suggests that many of the progressive reforms introduced at the city or state level were gradually institutionalized at the federal level as a part of the New Deal. He proposes that governors and their work in the states are foreshadowing national politics and policies. He advances this notion of a “new political paradigm” involving new assumptions about the proper roles of federal, state and local governments and predicts that the party that embraces the new paradigm will win a realigning election and dominate the following decades (Osborne, 1988: 330).

The 1990s find the states full-front-and-center at making domestic policy. All states are being called upon to rise to the challenge of devolution. “The devolution-revolution will shift states’ roles from that of being laboratories—testing and refining, piloting and experimenting—to that of ultimate definer and provider of virtually all essential public services to our citizens” (Gross, 1996). Many state policymakers and administrators are wrestling with some critical social issues for the first time. With a new emphasis on block grants and states’ rights, and an apparent continuing devolvement in social domestic policy by the federal government, it is likely that states will play a pivotal role in developing policy innovations to address the greatest demographic phenomenon of the next century—the aging of America.

## **The Devolution Revolution**

The division of responsibility for domestic affairs between the national government and state governments has been an important political theme throughout much of our history. “In framing the Constitution, Madison sought a ‘middle ground’ that would provide ‘due supremacy’ to a national government while leaving the states intact in order that they might be ‘subordinately useful’” (Derthick, 1987). From Madison to Gingrich—the equilibrium of powers between the federal and state governments has been unsteady. Often, the sharing of federal power is linked with the sharing of the power of the purse and the allocation of responsibility for policies and programs.

In the late nineteenth and early twentieth centuries grants were given by the federal government to states and localities for agricultural experiment stations, state forestry promotion, merchant marine schools and highways. Although there was a slow and steady rise in specific cash assistance grants made to states during the early part of the twentieth century, even after Franklin Roosevelt’s New Deal, federal aid still accounted for less than ten percent of total state and local spending (Nathan, 1996). Categorical grants grew dramatically during the 1960s as the Kennedy and Johnson administrations created programs to address poverty, social inequalities, and pressing urban problems. In the 1970s, the growth in federal aid as a percentage of state-local outlays continued with the initiation of block grants. To give some perspective on the scope and proliferation of the federal grants-in-aid, in fiscal year 1993, 578 federal categorical programs with \$182 billion in funding provided assistance to states and localities (GAO, 1995). From the 1960s to the present, federal grants-in-aid have represented on average about 20 percent of total state and local spending.



**Figure 1—Federal Grants-in-Aid as Percent of Total State-Local Outlays**  
Source: Advisory Commission on Intergovernmental Relations

President Nixon's New Federalism program in 1969 developed a rationale for centralizing some governmental functions, while decentralizing others (Bonnett et al., 1995, Nathan, 1996). Nixon sought to shift power, funds and responsibility from Washington to the states and cities. Block grants were seen as the best means of enhancing state authority. Nixon focused on capital and operating types of grants and did not include entitlement programs such as Medicaid and AFDC in his block grant proposals. Nixon did propose a Family Assistance Plan (FAP) for national welfare reform and a Family Health Insurance Plan (FHIP), but both proposals were never enacted and were lost in the "Watergate" scandal (Nathan, 1996).



Block grants again took center stage during the 1980s as part of President Reagan's strategy to reduce federal spending and decentralize federal programs by giving states program oversight responsibility. In contrast with previous block grant legislation, President Reagan's proposals gave states greater flexibility in managing the programs, but with decreased federal financial support. Fifty-seven federal categorical programs were consolidated into nine block grants with the passage of the Omnibus Reconciliation Act of 1981 (Hayes and Danegger, 1995).

The scale and complexity of many of the proposals for block grants to states before the 104th Congress was much greater than the Reagan precedent (Hayes and Danegger, 1995). During much of the past two years Congress has been debating proposals that would shift programmatic responsibility from the federal government to the states for welfare, Medicaid and employment and training programs. The magnitude of these programs is huge: federal payments of \$15-17 billion for welfare, \$92 billion for Medicaid, and \$5-7 billion for employment and training programs (Stanfield, 1995: 2206). As a result of the 1990s federal devolution efforts, states are currently playing a more central role in the development of domestic social policy. During the 1995-1996 National Governors' Association summer and winter meetings in Boston and Washington, D.C., the nation's governors played a critical role in drafting national welfare reform and Medicaid block grant legislation, which subsequently formed a basis of the negotiations between President Clinton and the Congress (National Governors' Association Resolutions, winter meeting, 1996). There seemed to be agreement on both sides of the aisle, as well as on the federal and state level, that devolvement of power and purse to state government was a good thing and inevitable.

Our next goal must be to dramatically restructure the relationship between the federal government and the states...We can meet national obligations and pursue our national interest with dramatic devolution of power (President Bill Clinton, 1996).

This is an exciting time to serve in Congress. And it's an exciting time to serve as a governor....The debate today is not whether power should be shifted out of Washington, it's how fast we should do it (Senator Bob Dole, 1996).

The recent passage of PL104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, redefined the relationship between the federal government and states and shifted the responsibility and costs for poor individuals from the federal government to state government. The change from a national welfare system rooted in entitlements to a state-based welfare-to-work initiative with capitated federal funding puts the states in the center of domestic policymaking, with power and responsibility which they did not before have.

Although block granting to states is not a new practice, PL103-193 is breaking new ground and giving governors, in particular, new control and responsibility for the nation's welfare system. The scale of the proposed shift of domestic responsibilities qualifies it to be called a "Devolution Revolution" (Nathan, 1995).

In the 20th century the clear momentum has been national. There have been flurries of state activism but the great movement has been to the center. Now we are in the midst of a shift to the states that could well involve basic changes in our governmental system, not just at the edges, but at its core (Nathan, 1996: 7).

Given the overall political and social environment of America in the mid-1990s, states will continue to play a critical and central role in creating domestic social policy as part of the answer to out-of-control federal expenditures and too much federal involvement in state and local concerns (Cox, 1995). Because states will have to be so "out front" on social policy

issues and thus, subject to much media and public scrutiny, the most innovative states will not only have to wrestle with the crisis of the day, but also need to be prepared for what is coming in the future.

### **Summary**

In 1920, only 4.6% of the U.S. population was over the age of sixty-five. “Taking care of the elderly” was viewed primarily as a family and church responsibility. The numbers of elderly were fairly insignificant, given that life expectancy in the early 1900s was forty-nine. Historically, if there was any governmental role for “taking care of the elderly,” it was played on the state and local level, and typically focused on health and housing provisions for indigent elderly. With the creation of Social Security as one of the New Deal efforts to address poverty, a federal role in aging policy emerged. However, in 1960s, with the passage of the Older Americans Act, liberal increases in Social Security benefits, and the creation of Medicare and Medicaid, the Federal government became the focus of policy development for the elderly, and moved center stage for “taking care of the elderly.”

During the 1980s, in the wake of federal budget cuts affecting programs for the elderly, many advocates for the elderly turned for assistance to state governments. States responded haphazardly with a variety of different programs, but again somewhat limited their assistance efforts to the health and housing needs of the elderly. States established prescription drug assistance programs, Medicaid and Medicare clearinghouses, construction programs for building low and moderate income housing for elderly, as well as assisted living facilities, and provided tax credits or tax breaks for housing for moderate and middle income elderly.

By the year 2020, it is anticipated that 20% of the nation will be over the age of sixty-five. The demographic phenomenon of the 21st century poses significant societal and economic problems beginning in the year 2010 (Chrystal, 1982). This impending demographic crisis is accompanied by the political realities of “devolution.” It appears likely that states will be the focal point for developing and implementing aging policy for the next century. In John Kingdon’s terms, it seems that what we have before state policymakers is an “open policy window.” “Policy windows are opened either by the appearance of compelling problems or by happenings in the political stream” (Kingdon, 1984: 204).

Kingdon emphasized that most policy change grows out of the coupling of problems, policy proposals and politics (Kingdon, 1984: 20). Kingdon was weak in articulating how “solutions” come about. He presented the concept of “Policy Primeval Soup” involving numerous players, particularly policy entrepreneurs, interacting in a variety of “policy communities” (Kingdon, 1984). Kingdon did not specifically address the issue of innovation or how the “new idea” comes about. Michael Hayes’ presentation of a prototype of “concentric circles of policymaking” with “technical experts at the core of policymaking and moving out to a wider policy arena” relied heavily on the Kingdon model. However, like Kingdon, he also did not satisfactorily address the issue of the development of solutions or the issue of innovation (Hayes, 1992).

The major emphasis of my research is exploring the linkages and connections between “solutions” as identified in the agenda-setting literature and “innovation decision design” defined in the innovation literature. By linking these literatures, factors are identified which influence the capacity of state policymakers and administrators to develop “solutions” or

“policy alternatives” and allow them to take advantage of this “open policy window.” How that policy change will happen and the process of developing “solutions” or “policy proposals” in states is the focus of this dissertation.

Specifically, this dissertation will examine the following two questions:

- What internal determinants within a state—demographic, socioeconomic and political—are plausibly causal in state planning for the aging of the baby boom population, and in the subsequent development of aging policy for the 21st century?
- What governance structures and practices within state government are associated with policy innovation and provide for an innovative environment within which to respond to the demographic realities of the 21st century?

In the next chapters these questions are pursued. In chapter one, the anticipated demographic challenges of the 21st century, the aging of the baby boom population and the implications of these changes for state policy is reviewed. In chapter two, a theory of innovation is built which is centered on the process of innovative decision-making. This chapter focuses on the planning for change and the process that ignites new ideas and allows them to flourish and be implemented and not simply a discussion around diffusion of interesting ideas. A new dimension of innovation reflecting the role of collaboration and cooperative work environments is presented. In chapter three an econometric model for state level innovation decision design for the development of state aging policy is created. Chapter four tests the model through an aggregate analysis. Chapter five highlights four state experiences and the role of collaboration in the development of innovative decision-making processes in these states. And finally, the conclusion focuses on the creation of a new structure for innovation which appropriately takes into account this new element of collaboration.

Given “devolution,” individual state efforts at addressing the demographic challenges of the next century might well be the basis for subsequent national aging policy and the essence of innovation for other states’ aging policy efforts. It is timely to reflect on our ability as a nation to plan adequately for the economic, social and political changes caused by these shifting demographics, and critical that we look at the capacity of state policymakers and administrators to meet the challenges of these new responsibilities. Gaining insights and perspectives regarding the determinants of state level innovative decision-making processes, and the potential role of collaborative governance structures and practices should be helpful to states because state policymakers and administrators will be primarily responsible for developing the solutions and policy alternatives to meet the demographic challenges of the 21st century.

## **Chapter 1**

### **ESTABLISHING THE IMPORTANCE OF THE AGING ISSUE ON STATES' PUBLIC POLICY AGENDAS**

*"....the economic implications of America's aging population over the next several decades will dwarf any other big issue one might name."*

*Peter G. Peterson,  
Atlantic Monthly, May 1996*

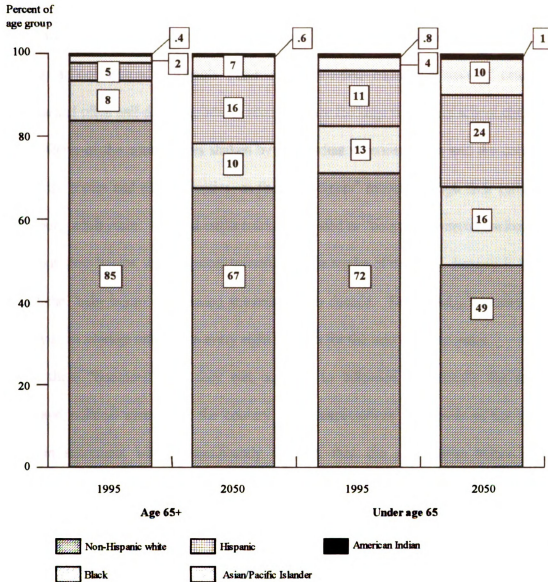
#### **Introduction**

America is aging. Due to advancements in medical technology and healthier lifestyles, Americans are living longer. The fertility rate has decreased over the last several decades and plummeted to its lowest point about a decade ago, staying there ever since (Dychtwald and Flower, 1990). Also, most significantly, "baby boomers"—a full one-third of our nation—are aging. All of these factors are profoundly shifting the demographic balance of our society.

We are currently experiencing a lull in the growth of the elderly population because of the low level of live births immediately following the Depression. This lull will continue through the 1990s, but growth in the number of elderly will begin increasing after the year 2000 and is projected to continue increasing through the year 2050. The changing demographics are well documented (De Vita, 1989, 1996; Bouvier and De Vita, 1991; Kingson, 1992; Hodgkinson, 1992; Baer and Cohen, 1996; AARP Profile, 1995; U. S. Bureau

of the Census Special Study, 1993; Atkins et al, 1994; Wakins, 1994; Treas, 1995; and U.S. Bureau of the Census, 1994). The fastest growing segment of the population is that over the age of 80. The average age of the population is increasing and it is estimated by 2010 that there will already be twice as many Americans ages 85 and older as there were in 1990 (De Vita, 1989). By 2030, more than one in five Americans will be over the age of sixty-five and there will be more people over sixty-five in the country than under eighteen. Not only will the numbers of elderly be changing, but they will also be much more diverse. The baby boom generation is racially and ethnically diverse, and there is significant variation within these racial and ethnic groups. Approximately 9.5 million African-Americans, 6.1 million Hispanics, and 2.8 million of other minority groups are currently part of these baby boom cohorts (Kingson, 1992). Figure 2 shows age and race comparisons between the years 1995 and 2050.





**Figure 2--Age and Race Comparison Between 1995 and 2050**  
 Source: U.S. Bureau of Census, *Current Population Reports* P25-1104 (1993)

The cohort of 76 million “baby boomers,” a diverse group of people born between 1946 and 1964, has substantially altered many aspects of American society. Gerber foods and diaper services expanded in the late 1940s and early 1950s. Then these “baby boomers” entered the school system. Schools became overcrowded—causing a rush of catch-up construction and often half-day programs to accommodate the large number of school children. The social fabric of the country was shaken by the student demonstrations and the counter-cultures of the sixties and early seventies—as these “boomers” moved through their turbulent teen and young adult years. The real estate market exploded as “boomers” entered the housing market to buy their homes, driving prices upward. At the stroke of midnight, January 1, 1996, the first of the “baby boom” population entered its fifth decade. These “baby boomers” are turning fifty at an average rate of one every eight seconds for the next eighteen years.

As these “boomers” age, they will continue to influence dramatically the social, economic and political systems of the country. The expectations and needs of the “baby boomers” in retirement will be significantly different than the generations before them (Dychtwald and Flower, 1990). The aging population of the future will impose changes in the types of services demanded by citizens from their federal, state and local governments, and these delivery systems will have to change the way they are organized and funded. Stephen Chrystal hypothesizes that the problems and difficulties of the aging “baby boomers” will create a crisis situation in American society (Chrystal, 1982).

Some policymakers and researchers suggest that because of the post-depression birth dearth, we have a window of opportunity in the 1990s to ready the nation for this demographic

metamorphosis (Torres-Gil, 1995, Dychtwald and Flower, 1990). We now stand poised at the edge of the 21st century, and policymakers must begin to plan for the social and economic implications of the aging of America. The challenge to them is to identify comprehensively the effects that this large aging population will have on the social, political, and economic systems in the nation, and then begin to plan systematically for these changes and develop a strategies which will alter negative trends and encourage positive options and alternatives.

### **The Changing Social and Economic Context of Growing Old in America**

From the New Deal through the mid 1970s popular stereotypes of older Americans were that they were poor, frail, dependent, and above all else, deserving of financial assistance. The federal government responded with a variety of compassionate programs, starting with the New Deal's Social Security, the Great Society's Medicare and the Older Americans Act, and special tax exemptions and credits for being age 65 or older initiated during Nixon's New Federalism (Atkins et al., 1994).

Since the late 1970s, however, the long-standing compassionate stereotypes of older persons have been undergoing a reversal. Through the 1980s and into the 1990s new stereotypes have emerged in popular culture depicting older persons as prosperous, hedonistic, selfish and politically powerful--"greedy geezers" (Atkins et al., 1994). Although there are a multiplicity of factors that contribute to this reversal of stereotypes, the major factor is ultimately "money"--theirs (older persons) and ours (taxpayers).

There has been a dramatic improvement in the aggregate economic status of older people in this country. Social Security and Medicare has helped to reduce the proportion of

elderly persons in poverty from about 35% in 1965 to 12.2% today. However, this economic enhancement of living standard of the elderly is reflected in the graying of the federal budget. During the past 15 years, as the proportion of the budget devoted to benefits for older people became increasingly recognized, programs for the elderly have become important tradeoff elements in any attempt to deal with American economic and social problems.

The overall size of the federal government budget has been stable over the last several decades, though there have been significant shifts in priorities of spending (Quinn: 1996). Health, retirement and disability, and interest on the federal debt currently exceed two-thirds of all federal spending, leaving less than one-third for defense and all other expenditures. Persons aged 65 years and older already account for one-third of the nation's annual health care expenditures, or \$300 billion of an estimated total of \$900 billion in 1993. Per capita expenditures for Americans age 65 and older are four times as much as for those under the age of 65 (Atkins et al., 1994). Social insurance expenditures, specifically Social Security and the hospital insurance component of Medicare, are responsible for most of the increase in total public expenditures over the last 40 years. The past rate of growth of these two programs, coupled with the approaching retirement of the baby boom cohorts, place these programs in the forefront of policy concern into the next century (Rand Research Brief, 1995).

When members of the baby boom population become aged—into their 70s and 80s—some project that they will be healthier, on average, than that of preceding cohorts. This general expectation is based on numerous factors that have been unique to the baby boom's life course experiences including: better prenatal care, optimum childhood preventive practices

such as immunization, better nutrition, more healthful work environments with lower work-related injury rates, reduced exposure to known carcinogens, better health practices throughout adult life such as lower rates of smoking, and more participation in exercise programs. However, by their sheer numbers, the baby boomers will place an enormous drain on the nation's health and economic support systems as they age, and most likely as they join the ranks of the oldest-old—over 85.

There are many challenges that the aging of the baby boom pose to America. However, the potential enormous increase in health care expenditures appears to be the focus of the current policy debate. Health delivery systems and structures, public and private insurance mechanisms, long-term care insurance, and terms of benefits and eligibility appear to be shifting daily. Although President Clinton's health care reform package did not pass Congress, health care reform is occurring all over America. Some suggest for the better, others for the worse (Moon; *Washington Post*, September 24, 1996). This health care debate will continue, and a part of this public policy discourse will be the issue of affordability for Medicaid and Medicare as the boomers age.

However, the aging of the baby boom generation is not solely a health care issue. The aging of the boomers will have enormous impact on the economic, financial and social constructs of our society. It influences all facets of our tax and finance structures, our transportation systems, our economic development and workforce policies, and even the way we design and develop communities. The aging of America is an inter-generational issue—

impacting the young, the working adult and the old—causing the existing compacts between generations to be rewritten.

## **The Demographic Imperative**

### **A Global Issue:**

America does not stand alone in meeting the challenges and understanding the opportunities of an aging society. “Aging” of society is a global issue. The age structure of a population is determined primarily by fertility and mortality. Most societies historically have had high levels of both birth rates and death rates. Whole populations begin to “age” when fertility falls and mortality rates continue to improve or remain at low levels.

Low birth rates during and following World War I resulted in the global elderly population to plunge in the early 1980s. Similarly, it is anticipated that the low birth rates during the depression and during World War II will result in a dip in number of elderly in the late 1990s and into the beginning of the twenty-first century. The global increase in fertility following World War II and through the 1950s coupled with medical and technological advancements of the late twentieth century will result in rapid acceleration of the world’s elderly population starting in the year 2010 (Torrey et al., 1987). The current growth rate of elderly is 2.4% per year, which is much faster than the global population as a whole. This growth rate will result in a worldwide population of more than 410 million elderly by the year 2000.

Immigration patterns and policies also affect population structures. Outmigration of young working-age adults from “poorer” countries to “richer” countries can initially raise the

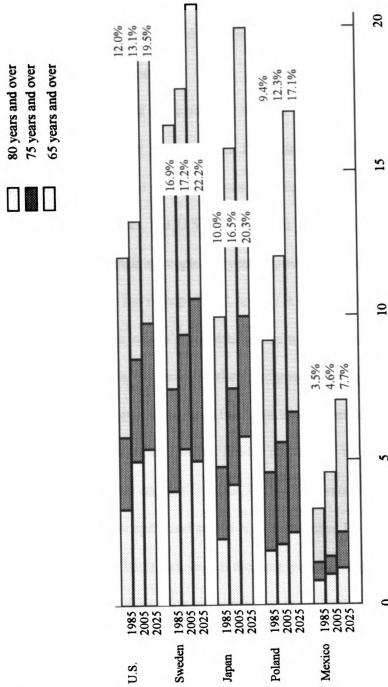
proportion of younger adults in receiving countries as well as the proportion of older persons in sending countries. The long range effects of such migration depend on a variety of factors, most important of which is if the immigrant remains in the country of destination. Age-selective international migration appears to have decreased over the last two decades (Torrey, 1987).

The working definition of elderly has been historically specified as a chronological age of 65. Using this as a benchmark, comparisons between countries can easily be made. Sweden has a total fertility rate well below the natural replacement level and thus, currently has the highest proportion of elderly among the major countries of the world with 17% of its population being over the age of 65. However, Japan which currently has the highest life expectancy rate in the world—78 years—should “age” most rapidly during the next ten years. Japan has more than doubled its percentage of elderly from 1970 at 7% to 1996 at 14%. However, throughout much of Europe, the proportion 65 and over will increase modestly through the year 2005, with only relatively large gains seen in the Soviet Union (from 9 to 13%) and in Germany (from 14 to 19%). This demographic pattern will be mirrored in the United States. The proportion of persons 65 years and over will change very little by the year 2005.

However, this slow growth in elderly will change after the year 2005. The post-World War II baby boom coming into retirement should have societal and economic implications for most developed nations, and it is predicted that the number of elderly in all developed countries will expand noticeably. It is anticipated the annual growth rate for persons 65 years and over

will reach 4 % by the year 2010 and remain at that level through the first half of the next century (Torrey et al., 1987). Japan will see a continued expansion of the proportion of elderly in their country throughout the first quarter of the next century, with a projected 20% of their population being elderly by the year 2025. This phenomena will be reflected in the United States, which will also experience a rapid growth in the percentage of elderly during the latter part of the first quarter of the next century—from 14% in 2010 to nearly 20% in the year 2025. However, it is predicted that by the middle of the next century, China will be the “oldest” country primarily because of its official policy of one child per married couple. Demographers project that this policy will result in 40 percent of China’s total population being 65 years or older by the middle of the next century.





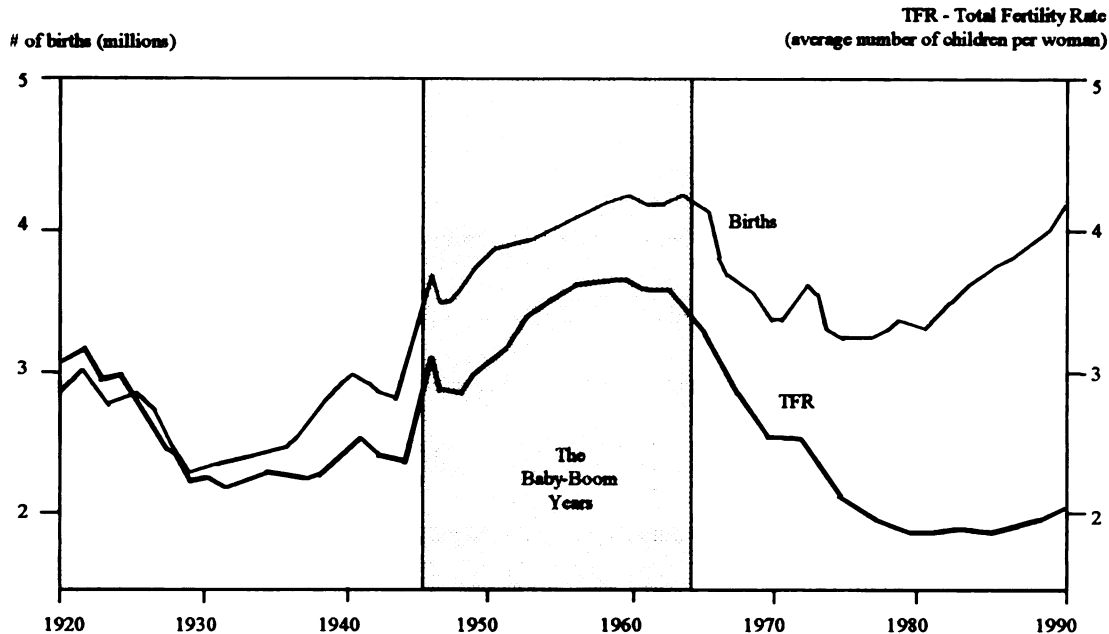
**Figure 3—Projections of Elderly Population in Selected Countries in the Year 2025**

Source: U. S. Bureau of the Census, *Special Population Reports P-95*, No.78

**America's Baby Boom:**

Changes in population size and composition can greatly influence a nation's policies and programs. Some have even argued that "demographics is destiny" (Easterlin, 1968). The baby boom generation is America's largest generation in history resulting from an unprecedented decade-and-a-half long fertility splurge. In 1943, demographers Warren Thompson and Pascal Whelpton projected that the nation's population would peak at 161 million in 1985 and then begin to decline. Instead, because of the baby boom and increased immigration to the United States, the U.S. population in 1985 was close to 240 million and growing by approximately 2 million people per year (Bouvier and De Vita, 1991). It has been suggested that this generation has reshaped U.S. society in many ways. Its size alone—over 75 million—a full one-third of our nation's population—has required adjustments in our schools, labor markets, housing markets, consumer markets and government programs.

The baby boom is often referred to as the "post World War II baby boom." However, this generation spans 19 years—from 1946 to 1964. The end of World War II—1945-1947—was met with increased marriage and fertility rates, but the birth rate fell in the subsequent three years. In 1951 these rates rose again and stayed high for another 13 years. Over this 19 year period, there were 3.8 million births per year in the early years of the boom, 4.6 million births per year in the peak years, and 4.3 million births per year in the final years. In marked contrast to this baby boom generation is the baby bust generation born primarily in the 1970s. There were 7 million fewer births during the 1970s than during the 1950s.



**Figure 4—Total Fertility Rate and Live Birth Rate: U.S. 1920-1990**  
 Source: U. S. Bureau of the Census

This increase in fertility rate, although related to the end of WWII, really reflected a positive mood of the country and an upbeat public opinion about the future of the world that lasted from the end of WWII to the assassination of President Kennedy. Landon Jones offers the “Procreation Ethic” as explanation of this 1950s and early 1960s phenomenon (Jones, 1980). He suggests that the military victory of WWII and the subsequent economic prosperity of the country renewed people’s faith in the future and encouraged early marriages and a boom in births. Paul Light also emphasizes the importance of the subsequent cultural changes in society following WWII, and the “social conformity” of the “ideal” family with the male as breadwinner and the female as full-time homemaker, which resulted in the conventional

family having two-to-four children. (Light, 1988). All of these factors contributed to the creation of the baby boom generation.

Much of the interest in the baby boom generation and its effects on society stems from the fact that it is a large generation--numerically--sandwiched between two substantially smaller generations. Also, the baby boom generation is often referred to as a single entity because there are things about this generation which distinguishes it from previous generations. The baby boom generation is the most highly educated generation in American history. Baby boomers have also contributed to redefining the "traditional American family" in many ways. Baby boomers have typically delayed entry into marriage and they have been more likely to dissolve a marriage than previous generations. In addition to delaying marriage, baby boomers have postponed having children. Nearly 30% of all births in 1988 were to women age 30 and older (Bouvier and Devita, 1991). Baby boomers also weakened the tie between wedlock and childbearing.

The U.S. labor force added 2 million new workers per year between 1968 and 1980 (Bouvier and De Vita, 1988). Besides affecting the size of the labor force, the baby boom generation also affected its composition. In 1995, 75% of baby boom women were in the labor force with the vast majority of these women in full time career positions. In 1990, there were 93 million households in the United States, 30 million more than in 1970, representing a 50% increase in 20 years (Allen, 1993; Bouvier and De Vita, 1988). The sheer numbers of the baby boom generation accounts for much of the increase, however, it also reflects the changing family patterns and lifestyles of this generation.

Although baby boomers share similar life experiences, there are also significant and important differences among baby boomers. Paul Light identifies several of these cleavages, of which the largest one being that of the early versus late boomers. Baby boomers are typically broken down into two age groups or birth cohorts—those born between 1946 and 1954 and between 1955-1964. It has been suggested that the first cohort of baby boomers are better off than the second wave, in that the early baby boomers entered the labor force during a period of strong economic performance receiving the “lion’s share” of economic and social benefits (Light, 1988: 77).

There are numerous other differences among the baby boomers, including gender, race, amount of education, level of income, marital status, employment status, geographic region and the role played in the Vietnam War (Light, 1988). The baby boom generation is racially and ethnically diverse including approximately 9.5 million African-Americans, 6.1 million Hispanics, and 2.8 million persons of other minority groups. Approximately 18 million baby boomers are members of what has been called “minorities at risk”—that is, groups who, by virtue of race and/or ethnic status, experience barriers that significantly restrict their opportunities for social and economic well-being (Kingson, 1992). Some baby boomers are very well off and many live comfortable middle-class lives. However, there are 7.8 million baby boomers officially defined as poor or near poor (Kingson, 1992).

This generation continues to influence future generations in many ways. It is important to understand the social, economic and demographic dimensions that created the baby boom, however it is also very important to understand the further impact it will have on

the future of American society. We are now witnessing the baby boom echo or baby boomlet. Although they do not match the peak years of the post-WWII baby boom, the current birth rates are edging upward according to the Census Bureau. Part of the explanation for this increase could be that the baby boom women who postponed their childbearing are now having children. Also, younger women, who fear infertility problems with delayed childbearing, are having babies. Even though the economic situation of most families require two incomes, given the greater availability of childcare options and increased employment flexibility regarding family-friendly policies, more women are not inhibited from having at least two children.

These children are creating crisis-level crowding in schools, similarly to the way their parents did two-to-three decades earlier. From Washington State to Florida, school systems are trying to accommodate the large increase in school enrollments by converting gymnasiums and cafeterias into classrooms and increasing class size from 30 students to 50 students (Russakoff, *Washington Post*, September 14, 1996). It is projected that they will continue to overstuff elementary and secondary schools and colleges for the next two decades.

There are numerous societal and economic implications associated with the aging of the baby boom generation. Dealing with the realities of the baby boom echo is just one of them. If the population projections are reasonably accurate, policymakers and planners should be concerned with the demographic shifts underway in our society, in which the ratio of elderly to younger persons has permanently changed. The ratio of elderly persons to those of working

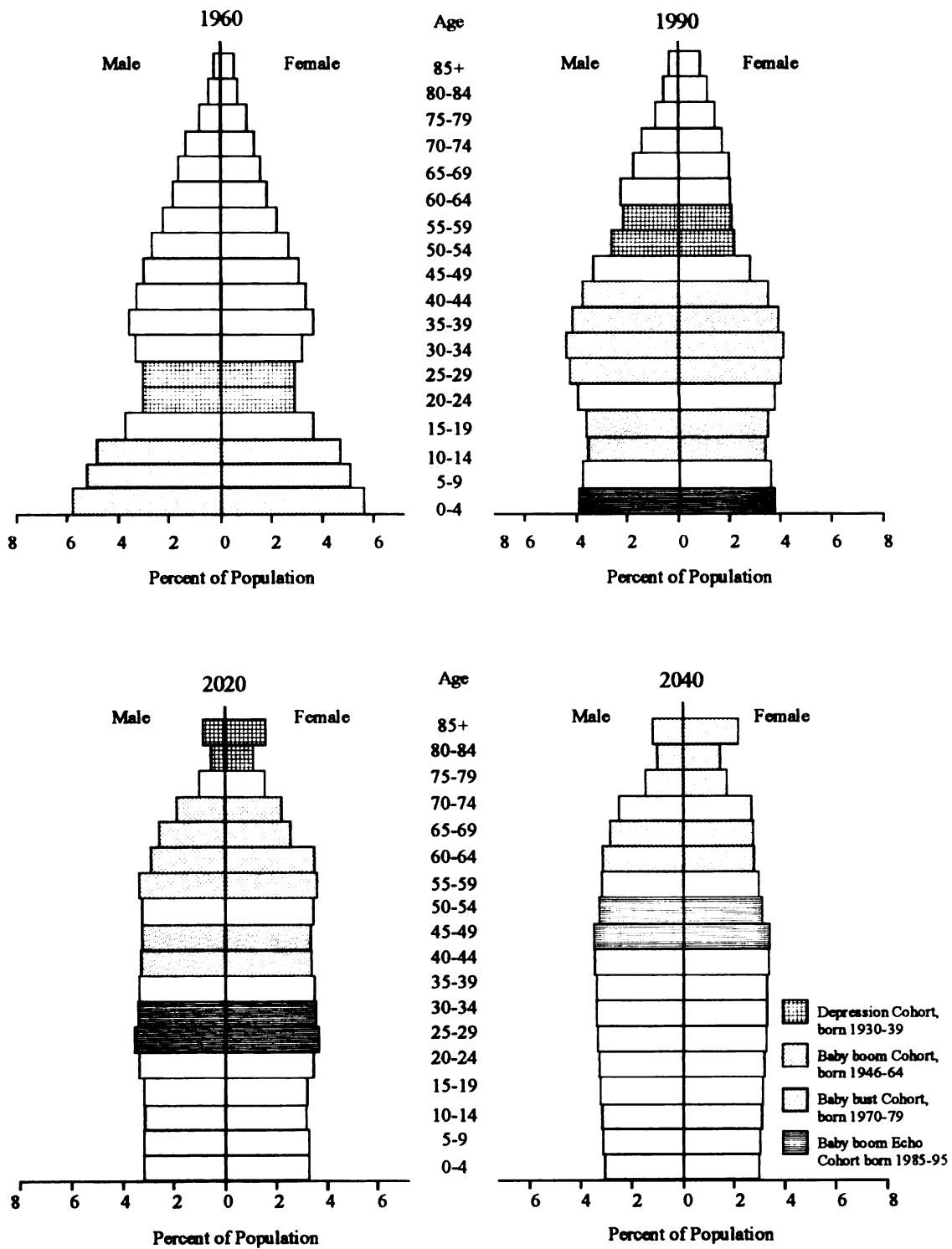
age will nearly double from 1990 to 2050.<sup>1</sup> Although the dependency ratio has undergone some criticism over the last few years as being too crude a measure, it is an important demographic trend that cannot be ignored.

In 1900, one in 25 Americans was elderly. This proportion had risen to 1 in 8 by the year 1990, and is projected to be 1 in 5 by the year 2025. The demographic importance of the baby boom can be best illustrated through a series of population pyramids tracing the age structure of the United States from 1960 to 2040. The baby boom cohort stands out in all the pyramids. In 1960 it forms the base of the pyramid, by 1990 it extends across the middle section, and by 2040 it represents the protruding bands of people age 75 and older.

In the past, declines in the number of births have been the most important contributor to the long-term aging trend. However, the improved chance of survival to the oldest ages, is now the most important factor in the growth of the very old population. The oldest old are a small but rapidly growing group. In 1900, 122,000 people were 85 years or older. Their numbers reached 3 million in 1990. By 2030, it is projected that there will be 8.6 million people over the age of 85 in the United States. This is prior to the entrance of the baby boomers into the ranks of the oldest old.

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<sup>1</sup>. The societal support ratio (SR) or what is more commonly referred to as the dependency ratio is computed as the number of youth under age 20 and the elderly over age 65 per one hundred person aged 20-64. It is criticized as not being a relevant measure of economic and societal well being because it uses age as its only criteria and ignores the fact that there are many economically independent older persons, economically dependent unemployed adults, and that the costs of young people, other than public education, are primarily borne by families.



**Figure 5--U.S. Population pyramids, 1960-2040**  
 Source: U.S. Bureau of the Census

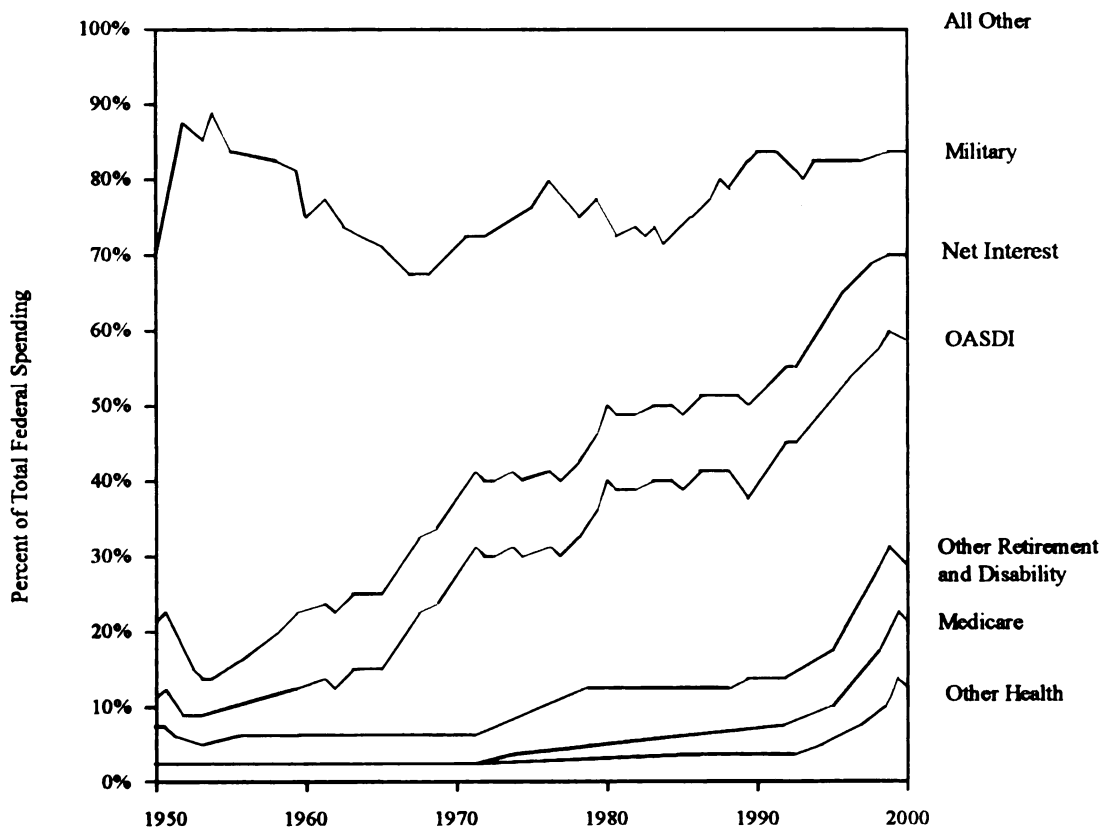


As the individual members of the baby boom age, so does the nation as a whole. The median age of the population is gradually increasing. As baby boomers become senior boomers, the number of older people in the population will double, and by 2030, there will be more people over the age of 65 than under the age of 18. By the year 2030, there will be 65 million people age 65 and older, as compared to 30 million senior citizens today. In 2030, the oldest boomer will be 84 and the youngest turning 65. In 2030, the elderly will be comprised of a larger proportion of minorities, as well as a larger share of the oldest old. The aging of the baby boom implies more than a simple increase in the size of the older population. There are overall implications for our society and economy as our overall society ages (Foster and Brizius, 1993).

Changes in age composition can have dramatic political, economic, and social effects on a society. We need not have to wait for the boomers to enter the rank and file of the “senior” generation to begin to observe and experience the implications of the aging of baby boomers. By the year 2000, baby boomers will account for more than half of all workers, and this will raise the median age of the work force to 39 from 36 today. A declining number of younger workers in the population may create a new demand to retain, recruit and retrain older workers. Age-based policies in the workplace which ignore individual differences, may well need to be adjusted. As boomers become “older workers” they might well reshape work retirement policies and definitions of age discrimination.

Given the desire of Congress and President Clinton to balance the budget by the year 2002, there are significant political pressures to change the funding of the Social Security and

Medicare systems today. A larger and larger share of the federal budget has been comprised of support for the nation's retirement and health systems. In 1950, only 10% of the federal budget outlays were dedicated to health and retirement spending, as compared to the projected budget for 2002, which includes 50% of the budget dedicated to health and retirement spending (Steurele and Mermin, 1996). This spending increase does not reflect significant growth in tax revenue, but a "peace dividend" as funding was shifted from military spending to health and retirement spending. This shift in federal spending also reflects a societal value to spend our nation's wealth on the elderly versus other domestic programs, i.e. education.



**Figure 6—Change in the Composition of the Federal Budget, 1950-2002**

Source: C. Eugene Steuerle and Gordon Mermin, The Urban Institute. Calculations based on data from the Presidents' budget proposal in the *Budget of the United States Government Fiscal Year 1997*, OMB (1996)

When Social Security was designed, life expectancy in the country was 68 years of age—three years beyond eligibility. Today life expectancy is 75 years of age. Men turning 65 in 2040 can expect to live another 17.6 years, and women turning 65 in 2040 can expect to live another 22 years (Steuerle and Mermin, 1996). Increased longevity should be good news, but it appears that society has not figured out how to “manage its’ miracles” (Fahey, 1996). Health care costs have grown rapidly and have become increasingly expensive. Medicare is not adequately financed. Currently, most elders are not protected against the risk of long-term care. The luxury of long life means that there is a real potential that the baby boomers will be consumers of services long after they stop being producers of economic and societal goods.

Most people see 65 as the retirement age, but nearly 60% of men and 70% of women collect Social Security benefits beginning at age 62. In 1950, 87% of the men age 55-64 worked. Through the 1970s and early 1980s the average retirement age in the country was falling. Although the retirement age rate began to stabilize in the late 1980s, and in fact recently rise, only 68% of 55-64 year-old men currently participate in the workforce. Currently, only 12% of persons over the age of 65 work, even on a part-time basis. It has been suggested that the “early out” policies in private companies and government, and the structure of the Social Security system encourage early retirement. With the potential need for older workers, and the inability to finance the existing retirement systems there will be likely adjustments in the nation’s tax structure and systems to induce baby boom workers to stay in the workforce longer.

It is anticipated that the aging of the baby boom generation, particularly when they begin to hit the age of retirement in 2010, will place unbearable pressure on the existing social security and health care systems. These pressures will only increase with the age of the boomers, particularly after 2030, as large numbers of baby boomers begin to swell the ranks of the very old. Financial security in retirement is primarily based on three components: social security, pensions, and savings/assets. This is often referred to as the three-legged stool of retirement planning. However, to continue this analogy, the stool is definitely tilted. Today, approximately 40% of all retirement income comes from Social Security payments, and a full 60% of today's 65+ population relies on Social Security for 80% of their income (Salisbury, 1994; Easterlin, 1990).

The viability and solvency of the Social Security system is one of the most persistent public policy questions debated today. Social Security saw real increases in benefits in the late 1960s, reflecting the public desire to lift the elderly out of poverty. However, there was a deliberate change in Social Security policy with the passage of the Social Security Reform Act of 1983, which required that 50% of the Social Security benefits be subject to taxation for individuals with income over \$25,000 and for couples with income over \$32,000. This policy was extended in the Omnibus Budget Reconciliation Act of 1993, which subjected 85% of benefits to taxation if individuals made over \$34,000 and couples made over \$44,000.

Even with these adjustments, the current Social Security and Medicare systems are not sustainable. With the anticipated number of retirees and the proportion of retirees to workers rising, there is concern that society will not be able to meet future Social Security obligations.

It is anticipated that future changes to Social Security will be a decrease in benefits and a delay in eligibility age. These changes have already been enacted for the latter cohort of baby boomers, in that they are not eligible for full Social Security benefits until the age of 67, with significant penalties levied for early withdrawals at age 62. Additional changes being debated include “means testing” Medicare; “means testing” Social Security; sliding scale Social Security; moving eligibility age to 72; and many other options to contain public investment in our health and retirement systems.

Pensions, the second leg of the stool, are also undergoing changes in structure. Approximately 50% of the current retirees have pension income. For the most part, these pensions are defined benefit plans and not defined contribution plans.<sup>2</sup> The number of private pension plans has more than doubled in the past 15 years from 340,000 to 870,000, however the majority of these plans have been defined contribution plans (Salisbury, 1994). Three out of every five baby boomers in 1988 worked for an employer who sponsored a pension plan, and nearly half of these individuals reported that they were fully vested in their plan (Salisbury, 1994). However, private pension plans were more common among men, and persons who worked for large companies. Although employment tenure rates seem to be stable, with the 1990s even higher than the 1970s decade, employers do not appear to be offering the security

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<sup>2</sup> Defined benefit pension plan means that there will be a defined benefit at retirement usually reflecting the salary of the employee at termination of employment or retirement. Defined contribution means that the employee opts to participate in a retirement plan which he/she financially participates in as well as the employer, and that the amount of funding available at retirement reflects the amount the employer/employee contributed. The defined contribution pension plan shifts much of the risk of investment of retirement funds from the employer to the employee.

of paternalistic benefit packages as in the past (Salisbury, 1994). These practices will influence the ability of the baby boomers to be financially secure in their retirement years.

How well off baby boomers will be during their retirement years will depend on their sources of income, their lifestyles, and their health. The baby boomers are likely to experience a standard of living in old age that is at least equal to that of current retirees. It is less clear that they will be able to maintain a standard of living in retirement comparable to that of their working years. Those with additional sources, such as private pensions, savings, assets' income, and income from employment will probably be substantially better off.

Savings is a critical piece to the future ability of the boomers being able to escape poverty in old age. To date, baby boomers are known more for their spending than their savings. Savings rates peaked in 1973 at a rate of 9.4% of an individual's after tax income, bottoming out at 2.9% in 1987. By 1990 the savings rate had risen to 4.6% and is staying at about the 5% mark. It has been argued that baby boomers are saving at one-third the amount that they should be doing—saving too little, too late (Lavery, 1996). Some propose that the lack of saving practices among boomers is overstated because the boomers have invested so heavily in housing, and if they tap into their housing wealth, they will do well in retirement (Salisbury, 1994). Home ownership has significant implications for baby boomers in retirement. Home equity has always been the single most important source of both individual and household wealth in the United States. However, some have suggested that as the boomers retire in force, they will liquidate their assets driving the real estate market into a

downward plunge (Quinn, 1996). This “asset meltdown” will cause significant financial hardship for boomers in retirement, particularly the youngest cohort of boomers.

Given changes in pension structure, lack of adequate savings and depletion of “housing wealth,” as with today’s retirees, Social Security seems likely to be the most important source of income for most baby boomers, especially at the lower income levels. Given the heterogeneity within the baby boom generation, the anticipated changes in the federal retirement and health care systems for older Americans pose risk of poverty or near-poverty for many baby boomers in their later years. Particularly at risk are non-homeowners, less educated boomers, the single and the youngest baby boomers.

Family caregiving will accelerate in importance and significance in the future. More and more women of the baby-boom generation will face the demands and trade-offs of caring for an older relative in the decades ahead. Currently, 44% of adult daughters or daughters-in-law who care for an impaired parent are employed, and another 12% report that they quit their job to provide the care (Stone et al., 1987: 622). Also, the current work-family policies and support services may need profound adjustments as the baby boom generation enters old age and needs caregiving assistance. The baby boom generation has had a reduced number of children and an increased incidence of divorce and remarriage. These factors might well create a sense of ambiguity over family roles and responsibilities for caring for the vulnerable or needy parent.

The aging of the baby boom generation and of society as a whole will raise important questions concerning generational equity and fairness. Some have suggested that there will be

a struggle over scarce resources and inevitably generational conflict and tradeoffs will need to occur. However, others challenge the baby boom generation to seize the opportunity to play a pivotal role in this equity debate, and create policies which provide for their children, assist their aging parents, and allow them to adequately plan for their own futures.

The baby boomers' entrance into and movement through their retirement years will span a half a century. The policy debate on the national level has already begun. Clearly, there is a desire to avoid having the aging of baby boomers strain the retirement, health, and other social institutions to the breaking point. The emphasis of the debate is that of financial containment. This implies Social Security and Medicare cost containment through federal tax restructuring, pension regulation (or deregulation) and financial incentives to keep the boomers working longer. It also suggests that states will play a large role in the development of these policies, and also possibly be most at risk of supporting "at-risk baby boomers" as the federal government continues to devolve authority and responsibility for domestic programs to the states. Understanding and appreciating the implications of the demographic metamorphosis underway in this country for each specific state is critical. Thoughtful and deliberate construction of policies that recognize the broad societal and economic implications of the "coming of retirement age" of the baby boomers, and the diversity within this generation, is needed, if the boomers are to have the necessary financial support for retirement, and be able to continue to be active producers of societal and economic goods.



**Implications for States:**

These international and national demographics play out in a variety of different ways when doing a state-by-state analysis. The implications of the aging of the baby boomers vary significantly by state and region. The shifting demographic balance of the country is not replicated for each individual state.

Over the decade of the 1980s the largest percent increases in elderly population were mostly in the West, particularly the Mountain States, and in the South, especially the South Atlantic States of Florida, South Carolina, and Delaware. These areas also reflected the highest growth in the oldest old. The percent change in the elderly population from 1980 to 1990 ranged from a low of 9% in Nebraska, to a high of 94% in Nevada. The most populous states tend to also have the most elderly. In 1995, nine states had more than one million elderly: California, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas.

Some states age because of in-migration of the elderly, some because of out-migration of the young, and some because of sustained low fertility or a combination of these factors. The states with the greatest proportion of elderly are generally different from those with the greatest number. While California has by far the largest number of persons aged 65 and over, only 10.2% of its population is elderly, and it ranks 46th among the states. For the most part, the farm belt states have a higher proportion of elderly than for the total United States, primarily because of out-migration of the young. Although Iowa has only 438,000 people over the age of 65, it is the state with the fourth highest proportion of elderly in the nation at 15.3%. Florida, on the other hand, has the highest proportion of elderly in the nation,

almost 19% of its population over the age of 65, and ranks second for having the highest number of elderly, with over 2.7 million seniors.

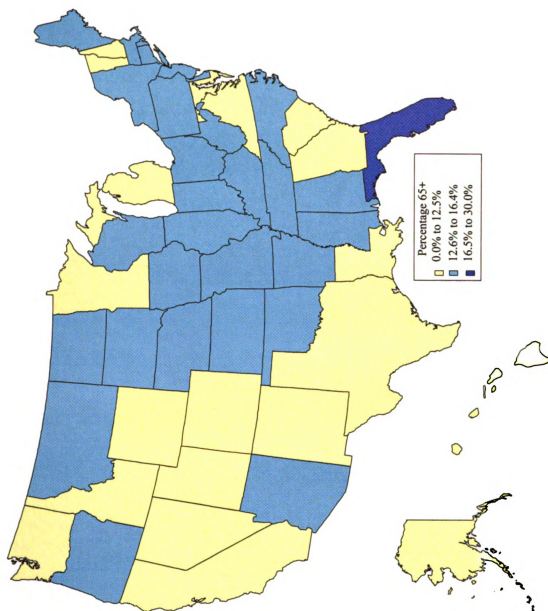
While in 1995, Florida is the only state with more than 16% of its population aged 65 and over, by 2020 a projected 32 states will fall into this category. (See Figure 7 and 8). In 2020, it is forecasted that about one out of every five persons in the United States will be elderly, compared to about one out of eight persons today. In 2020, it is projected that one-fourth of the population of Florida will be elderly.

**Table 1--State by State Analysis of Population Statistics**  
Source: U.S. Bureau of Census

State	65+ in 1995	% change in 65+ from 1995 to 2020	65+ in 2020
Alabama	13.1%	56.2%	16.7%
Alaska	4.3%	96.3%	6.1%
Arizona	13.7%	100.7%	19.6%
Arkansas	14.9%	57.3%	19.3%
California	10.6%	93.5%	13.8%
Colorado	10.1%	98.4%	15.3%
Connecticut	14.3%	34.9%	17.4%
Delaware	12.8%	57.6%	16.7%
Florida	19.0%	84.3%	25.6%
Georgia	10.2%	95.5%	15.1%
Hawaii	11.8%	81.9%	14.4%
Idaho	11.6%	83.6%	15.4%
Illinois	12.6%	30.6%	14.8%
Indiana	12.8%	40.5%	16.2%
Iowa	15.3%	24.7%	18.0%
Kansas	13.7%	44.5%	16.5%
Kentucky	12.8%	48.0%	16.9%

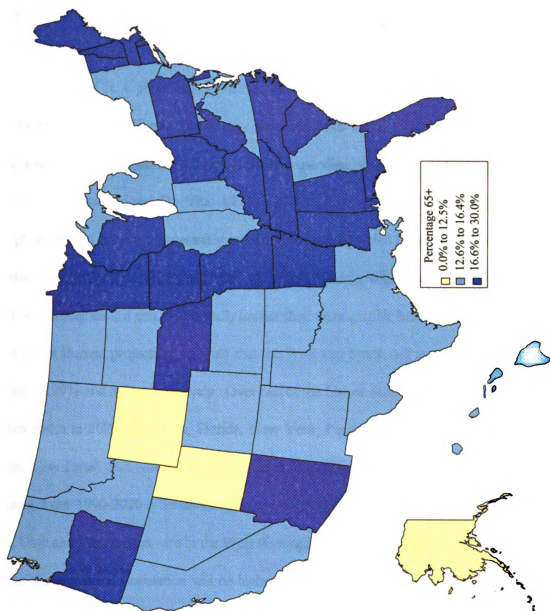
**Table 1 (cont'd)**

Louisiana	11.4%	49.1%	14.3%
Maine	13.9%	49.7%	18.3%
Maryland	11.2%	63.6%	14.8%
Massachusetts	14.1%	31.4%	17.4%
Michigan	12.4%	32.8%	15.2%
Minnesota	12.5%	59.3%	16.9%
Mississippi	12.6%	53.3%	16.6%
Missouri	14.2%	43.3%	17.5%
Montana	13.2%	52.6%	16.3%
Nebraska	14.1%	36.6%	16.8%
Nevada	11.0%	105.6%	15.5%
New Hampshire	11.9%	76.9%	16.9%
New Jersey	13.7%	35.8%	16.3%
New Mexico	11.0%	89.7%	15.0%
New York	13.3%	25.3%	15.9%
North Carolina	12.7%	79.9%	18.1%
North Dakota	14.6%	25.8%	16.3%
Ohio	13.5%	31.5%	16.7%
Oklahoma	13.5%	50.1%	16.5%
Oregon	13.4%	72.2%	16.6%
Pennsylvania	15.8%	19.8%	18.2%
Rhode Island	15.4%	27.3%	18.0%
South Carolina	11.9%	77.3%	16.8%
South Dakota	14.4%	33.0%	16.3%
Tennessee	12.8%	68.4%	17.6%
Texas	10.2%	91.2%	1.2%
Utah	8.8%	95.3%	12.2%
Vermont	12.1%	57.1%	16.7%
Virginia	11.2%	77.8%	15.7%
Washington	11.5%	97.6%	15.6%
West Virginia	15.3%	22.9%	18.5%
Wisconsin	13.4%	47.0%	17.3%
Wyoming	10.3%	46.0%	11.1%



**Figure 7--Percentage of Population Over the Age of 65 in 1995**

Source: U.S. Bureau of the Census



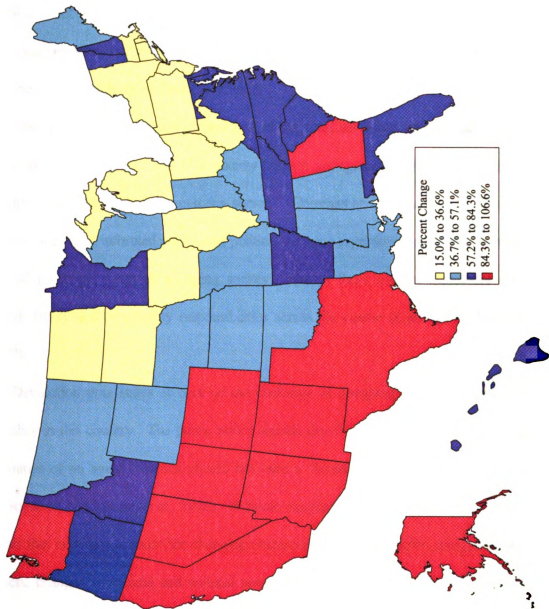
**Figure 8**—Projected Percentage of Population Over the Age of 65 in 2020  
Source: U.S. Bureau of the Census

Immigration plays a significant role in explaining increased fertility rates, particularly on the state level, and potentially can influence the aging dynamics in a state. Fertility of minority populations usually tends to be higher than that of the majority, and therefore the increases in the proportion (or share) of minorities in the population may result in an overall increase in fertility. This results in a phenomenon known as “shifting shares” (Bouvier and De Vita, 1991). In example, in California, the fertility rate rose from 1.9 in 1982 to 2.5 in 1989, of which almost 40% of the gain is attributable to the expanding proportion of minorities in the state population (Bouvier and De Vita, 1991). Although on a national level, the “shifting shares” phenomenon does not necessarily influence the demographic balance in society, on a state basis, specifically states like California, Texas and Florida, which experience significant levels of new immigrants, it can undoubtedly impact their demographic balance.

Census Bureau projections indicate that the West and South will increase their elderly population by 99% and 81% respectively. Over half of the United States’ elderly will likely live in just ten states in 2020, California, Florida, New York, Pennsylvania, Texas, Illinois, Ohio, Michigan, New Jersey and North Carolina. The elderly population is projected to double in eight states from 1990-2020. Seven of these states—Alaska, Arizona, California, Colorado, Nevada, Utah and Washington—are in the West (Georgia is the only exception). However, the percent of the oldest old population will be highest in the midwestern states. The five states with the highest proportion of persons aged 85 years and over of their total population are all farm states, Iowa, North Dakota, South Dakota, Nebraska and Kansas. In 1990, only Iowa had more than 2% of its population over 85. By 2020, 34 states fall into this category.

In 2020, the states with the highest proportion of elderly will be East of the Mississippi River, and the states that will experience the most rapid growth in the number of elderly will be primarily in the West. (See Figure 9). It is arguable that the Northeastern, Midwestern and South Atlantic states already have an established infrastructure for older citizens, since these states currently have a significantly large proportion of elderly. Given the 15-25 year time span available to adjust these systems, these states might be able to slowly assimilate their policies for the aging of the baby boomers. The Western states, which will be experiencing rapid growth in elderly—85%-105% growth—will be especially challenged by these rapid changes. Since they do not currently have a large proportion of elderly, these states most likely do not presently have adequate systems in place. However, all states will be challenged by these new demographic realities and either have to substantially shift their existing approaches to addressing the needs of their older citizens, or they will need to design new approaches to meet the challenges and opportunities of an aging society.

Overall international and national demographic changes, the health of the nation's economy, and the capacity of economic, political, and social institutions to adapt to the aging of the baby boomers will substantially determine the circumstances under which individual states will have to wrestle with the issue. However, since devolution appears to be reality, state government will most likely be at the center of developing domestic social policies to meet the challenges and opportunities of the 21st century.



**Figure 9**—Projected Percentage Change in Population from 1995-2020  
Source: U.S. Bureau of the Census



### **Summary—Convergence of the Policy and Political Streams—States at the Center**

Demographics can be a powerful influence in shaping the life changes of individuals and societies, but they do not operate in a vacuum. Economic, technological, cultural and political changes affect our daily lives. They interact with demographic trends, and influence the well-being of individuals, and society at large.

The aging of America will present one of the toughest public policy challenges ever faced by American society. “The U.S. society has not yet agreed on the public values that should drive the public policies in an aging society” (Cornman and Kingson, 1995: 25). Also not taken place, is an informed public and political dialogue regarding the broader context of aging, and the implications of an aging society. Nor is there societal agreement on the individual, family and community responsibilities across life course (Cornman and Kingson, 1995: 27).

Devolution puts states at core of the challenge of designing and developing future aging policy in this country. The public policy agenda developed to meet the challenges and opportunities of an aging America should not take a “business as usual” approach toward finding solutions (Zedlewski, et al., 1990). It should examine and seriously consider innovative proposals that take into account the changing characteristics of the elderly, changes in family constructs, changes in societal and cultural norms, political changes, and the impact of the forever changing global economy.

States need to begin to understand the projected demographic changes, and the implications of these changes for their state. State policymakers and administrators need to

sort through how these demographic shifts might well impact the state's tax and finance structure, its tax base for K-12 education, its existing health care capacity, its available workforce, its transportation systems, its community development policies, and its economic development strategies. Although "demographics are not destiny," the projected demographic changes are likely.

The old saying, "timing is everything," is particularly relevant as state leaders and policymakers face the challenges of the 21st century. There are approximately 15 years before baby boomers begin the mass exodus into retirement. Innovative states will take advantage of the "time factor," and fully engage in long-range planning in the mid-to-late 1990s, and they will plan to begin phased-in implementation of broad policy changes beginning with the new Millennium.

## **Chapter 2**

### **BUILDING A THEORY OF INNOVATION**

*"A paradigm sets the standards for legitimate work within the science it governs."*

*A.F. Chalmers  
What Is This Thing Called Science? 1982*

#### **Introduction**

What makes a good theory? Chalmers suggests that theories must be seen as organized, open-ended structures involving concepts with precise meanings, and contain within them prescriptions as to how they should be developed and extended (Chalmers, 1982: 79). Eckstein (in Greenstein and Polsby, 1975) discusses the two polar positions on what constitutes theory in political science. He outlines the constructs of "formal theory," which are modeled after contemporary theoretical physics involving elements of formal and elaborate deduction. He also discusses the "soft line" of theory which is simply regarded as any mental construct which orders phenomena or inquiry. Eckstein argues that regardless of the theoretical construct, the goals of theoretical inquiry remain consistent regarding the need for regularity, reliability, validity, foreknowledge and parsimony (Eckstein, in Greenstein and Polsby, 1975). And thus, theories can be more or less "good" depending on the "rulefulness of regularity statements, the amount of reliability and validity they possess, the amount and kinds

of foreknowledge they provide, and how parsimonious they are” (Eckstein, in Greenstein and Polsby, 1975:90).

The process of theory building begins with the development of good questions for which answers are wanted, as well as a strong hypothesis regarding the “candidate-solution” to the question (Eckstein, in Greenstein and Polsby, 1975). Testing of hypotheses is viewed by some as the end of the theory building process, but in reality can feed back into the process, and allow for further theory building to take place. This cumulative progress of theory building is characteristic of the inductivist accounts of science, in that scientific knowledge is growing continuously as more numerous and more various observations are made, enabling new concepts to be formed, and old ones to be refined.

This dissertation draws upon established theories within the *public policymaking*, *agenda setting*, and *policy innovation* literatures. Some of these theories are well formulated and tested, others are less so. Regardless, it has been argued that good theory is validated when the discourse is persuasive (Cherryholmes, 1988). Given the broad questions that I am pursuing—factors associated with and plausibly causal in state-based planning and innovative policy development—the theoretical framework I require is found in part, in each of these literatures. My theoretical framework is grounded in the state-based policy innovation research of Rogers, Walker, Downs, Mohr, Gray, Thompson, Frendreis, Klingman and Lammers, Polsby, Glick and Berry and Berry. It relies heavily on the Kingdon/Hayes and March and Olson model of agenda-setting; and builds off of the work done by Dye and Lindblom in

policymaking theory. State policy innovation theory and agenda-setting theory are directly linked.

### **A Historical Review of the Innovation Research**

The study of “diffusion of ideas” is long and has its roots in agricultural research with work done in the 1930s regarding hybrid corn seeds (Ryan and Gross, 1943). However, it was within social science, in particular the work done by Everett Rogers in 1962, in which much of the theory on diffusion of innovations was developed. Rogers reviewed 506 different studies that were completed from the late 1930s through the 1950s in a variety of fields from sociology, education, medicine and agriculture. He wanted to identify the common threads running through all of the various research traditions on diffusion of innovations.

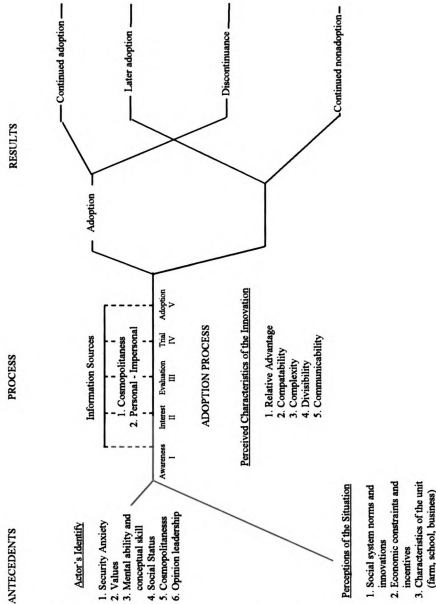
In this work, Rogers clearly defined innovation and diffusion. Rogers argued that a definition of innovation needed to be universally relevant and mutually exclusive if there was any hope of approaching a theory of innovation. He outlined five characteristics of innovations: (1) relative advantage or the degree to which the innovation is superior to the idea it supersedes; (2) compatibility or the degree to which an innovation is consistent with existing values and past experiences of the adopters; (3) complexity or the degree to which an innovation is relatively difficult to understand and use; (4) divisibility or the degree to which an innovation may be tried on a limited basis; and (5) communicability or the degree to which the results of an innovation may be diffused to others (Rogers, 1962: 124).

He identified four elements crucial to an analysis of the diffusion of innovation: (1) “the innovation” was defined as an idea perceived as new by an individual; (2) “its communication”, how the idea spreads; (3) “the social system” or population of concerned individuals in a collective-problem solving mode; and (4) “the adoption” of innovation which was defined as a five-step decision-making process involving the stages of awareness, interest, evaluation, trial use and adoption. Rogers defined diffusion as the *process* by which an innovation spreads and “innovativeness” as the degree to which an individual adopts an innovation earlier relative to other members of his social system. Rogers suggested that the adoption of an innovation is a *process of decision-making* and that... “decisionmaking is the process by which an evaluation of the meaning and consequences of alternative lines of conduct are made” (Rogers, 1962: 77-78). (Figure 10 outlines the Rogers’ paradigm for innovation diffusion.)

Rogers also introduced the notion of the role of the change agent and the consequences of innovation. He defined a change agent as a professional who attempts to influence adoption decisions in a direction that he feels is desirable (Rogers, 1962: 254). He suggested that most change agents are local-level bureaucrats whose purpose is to inject a cosmopolitan influence to innovate into a client social system (Rogers, 1962:255). The change agent serves as a communication link between a professional system and his client system. (Rogers, 1962:283)

Although innovation theory has its roots in Rogers research, it was Jack Walker’s seminal work in 1969 on state policy diffusion that structured much of the debate and

discussion in the literature around policy innovation diffusion among the states. Walker's definition of innovation is confined to "diffusion" of ideas and not "invention."



**Figure 10 – Adoption of an Innovation by an Individual Within a Social System**

Source: Diffusion of Innovations (1962)

“An innovation will be defined simply as a program or policy which is new to the states adopting it, no matter how old the program may be or how many other states may have adopted it” (Walker, 1969: 881). Walker investigated two major questions. (1) Why do some states act as pioneers by adopting new programs more readily than others? And, (2) How do new forms of service or regulation spread among the American states? Walker constructed an innovation score for the American states based upon elapsed time between the first state adoption of a program and its later adoption by other states. Walker monitored eighty-eight different programs adopted by twenty or more states, and he averaged each state’s score on each program adoption to produce an index of innovation of each state. The larger the innovation score, the faster the state responded to new ideas or policies. Walker explored relationships between the innovation scores of the 50 states and socioeconomic, political, and regional variables. He found that innovation was more readily accepted in the urban, industrialized, wealthy states (Walker, 1969: 884). He also found that state decision makers, although seemingly influenced by states in their region, seemed to be adopting a broader, national focus based on new lines of communication extending beyond regional boundaries (Walker, 1969:896).

In a subsequent study of policy innovation, Virginia Gray criticized Walker’s findings and argued that no general tendency toward “innovativeness” really existed—states that are innovative in one policy area are not necessarily the same states that are innovative in other areas. Gray defined innovation as “an idea perceived as new by an individual; the perception



takes place after invention of the idea and prior to the decision to adopt or reject the new idea” (Gray, 1973:1174). She limited her discussion of innovation to specific laws adopted by states.

She examined the adoption of twelve specific innovations in civil rights, welfare, and education (including the adoption of state public accommodations, fair housing and fair employment laws, and merit systems and compulsory school attendance). States that were innovative in education were not necessarily innovative in civil rights or welfare. Diffusion patterns differed by issue area and by degree of federal involvement (Gray, 1973: 1185). However, similar to Walker’s analysis, she also discovered that “first adopters” of most innovations tended to be wealthier states, leading one to conclude that financial capacity of a state influenced the ability of the state to be innovative (Gray, 1973: 1182).

Robert Eyestone explained the instability of findings in the Walker and Gray studies as caused by the complexity of the “policy content” of the “ideas” being diffused. He suggested that “policy content” influences the diffusion of ideas from one state to another. He also proposed that there are several distinct diffusion models, and that the model operational in a state will be dependent upon the “policy content” of the idea (Eyestone, 1977: 447). “States may want to review the experiences of other states before taking the plunge themselves, depending on the strength of the incentives put forward by federal agencies, and perhaps on the level of residual state resistance to federal innovations” (Eyestone, 1977: 447). He also suggested that the wealthier, industrial states might be first to “innovate”, not because of available finances, but because they are also the first to suffer the undesirable side effects of

urban and industrial growth which create demands for state policy responses (Eyestone, 1977: 446-447).

Savage (1978) suggested that the differences in findings from Walker and Gray reflected a “sampling problem.” He proposed that the data bases used by Walker and Gray were not sufficiently large and representative enough to create a statistic or index to measure policy innovativeness or to discount such a measure (Savage, 1978: 213). Using a total of 181 policy measures from diverse areas such as agriculture, business regulation, conservation, crime, education electoral regulation, governmental structure and operation, taxation, transportation and welfare, Savage created a measure of innovation based on the relative speed of adoption of the given policy innovation. He found that there seemed to be relative stability across time regarding the rate of diffusion in states. He disagreed with Gray’s criticism of Walker’s findings, citing her “too hasty in discounting a general innovativeness trait as a variable characteristic of the American states” (Savage, 1978: 218). However, he found that nationalizing forces played a strong role in influencing the speed of policy adoption across state lines in the latter part of the twentieth century.

Eyestone pointed out that a state adopts or rejects a policy due to a complex web of factors, of which a federal incentive is one. Savage’s findings regarding the nationalizing forces of the twentieth century seemed to confirm the role of the federal government in state policy innovation. In 1980, Susan Welch and Kay Thompson specifically explored the impacts of federal incentives on state policy innovation and the diffusion rates of public policies

throughout the American states. They defined “innovation” as Walker did--“a program or policy that is new to the state adopting it, no matter how old the program may be or how many states have adopted it” (Walker, 1969). They felt that Walker’s analysis did not include much consideration of the federal government and its potential for influencing innovation on the state level (Welch and Thompson, 1980: 716). They argued that there were two ways in which the federal government places pressure on the states to conform: (1) the federal government gives states monies to implement or improve a program--the carrot; or (2) it threatens to deprive states of existing funds if certain requirements are not met--the stick (Welch and Thompson, 1980: 719).

Welch and Thompson found that the initial rate of adoption was most influenced by whether the policy had positive incentives, while adoption by the laggard states was more influenced by whether there is a federal incentive of any sort (Welch and Thompson, 1980: 724). They also confirmed Walker’s conclusions regarding the linkage between diffusion rates and the ability of state policymakers to communicate across state lines, sharing information and ideas. In the Welch/Thompson research, they looked at policies enacted pre and post New Deal. The myriad of national organizations of policy specialists and governmental officials did not exist in the early 20th Century. There was less communication among states pre-New Deal, and thus, less opportunity for them to exchange policy ideas. They attributed the faster diffusion rate of post New Deal policies to increased state networking (Welch and Thompson, 1980: 723).

Canon and Baum in 1981 expanded on the work of state level diffusion studies from dealing solely with legislative or administrative innovations to judicial doctrines. They studied the diffusion of 23 innovative tort doctrines among state court systems between 1876 and 1975. They examined the correlates of innovativeness and the pattern of diffusion. Basing much of their efforts on Walker's research and findings, they tested the relationships between population, urbanization, wealth, industrialization, political culture, party affiliation, and prevailing ideology with judicial innovativeness. Contrary to Walker's findings, Canon and Baum found very weak evidence that regionalism played a role in diffusion of judicial innovations. They determined that developing social and technological avenues of information exchange overrides geographical barriers, and they suggested that this would be even more true in the future (Canon and Baum, 1981: 985). Also, they found that neither urbanization, wealth, industrialization, political party or ideology played a significant role in determining judicial innovations. The most significant predictor of judicial innovation was population. Canon and Baum attributed their findings to the fact that the court system is reactive, in the sense that the courts must depend on litigants to provide opportunities for innovation. Their findings suggest that the diffusion of judicial doctrines is a different process from the diffusion of legislation.

Lammers and Klingman in 1984 explored the determinants of state based aging policy innovation. Essentially, they were asking many of the same questions that Canon and Baum did in their work in the judicial field. They wanted to gain a better understanding of what

prompted innovative state responses in the past, so to predict future state actions and the appropriateness of different state strategies. Lammers and Klingman conducted a fifty-state aggregate analysis examining variations in state based aging policies over a twenty year period (1955-1975).

Primarily grounding their work in Walker's research, Lammers and Klingman created an "index for innovation" utilizing single indicators and composite factors measuring aging policy effort. These dependent variables reflected four issue areas/categories: (1) the state's efforts at income maintenance, (2) the state's social services programs, (3) the state's health and long-term care delivery systems, and (4) the state's efforts at regulatory protection for the elderly. These dependent variables were then analyzed with the use of socioeconomic and political variables as potential predictors of different state responses.

Lammers and Klingman considered a plethora of independent factors including aging advocacy in the state, general policy liberalism of the state,<sup>3</sup> fiscal capacity of the state, political capacity within the state, political openness, socioeconomic development, and status of the aging population within the state. Based on this regression analysis, Lammers and Klingman classified the states into a four quadrant matrix: strong achieving states, underachieving states, low achieving states, and maverick innovators. In addition to this aggregate analysis, Lammers and Klingman conducted a comparative case study involving eight states to assess more fully some of the relationships which emerged in the aggregate-level analysis. The selection of case

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<sup>3</sup> Policy liberalism defined in accordance to Walker (1969) and the work of Klingman and Lammers (1984).

study states was based on the quadrant matrix and was undertaken to provide maximum variation on three basic dimensions: (1) percent of aging population; (2) level of policy effort for the older population; and (3) general liberalism in overall policy responses (Lammers and Klingman, 1984). The states selected included Minnesota, Iowa, California, North Carolina, Maine, Florida, Ohio and Washington.

In general, they found that policy liberalism and fiscal capacity were positively related to states' policy innovations for their aging populations. The states with a more "active" government, were more likely to seek additional sources of revenue to fund projects/programs. They defined "active" government as primarily a state with "strong institutions" and "political openness" (Lammers and Klingman, 1984: 14). Innovation in aging policy on the state level was dependent on the state's political capacity—that is the level of development of its "*Policymaking Institutions*," primarily the governor and the legislature. Thus, states with a powerful and successful governor, and a professional legislature were more likely to make substantial policy efforts in a variety of areas, and to seek the sources of revenue to underwrite those efforts. Through the aggregate analysis and comparative case studies, Lammers and Klingman conducted a comprehensive review of the development of state aging policy over this twenty year period. They evaluated the role of demographic, socioeconomic and political variables in determining variation in state aging policy. However, they did not address the issue of organizational capacity to innovate or the role of governance structure in creating capacity to implement an innovation.

### **Toward a Theory of Innovation—A Focus on Process**

The root word of “innovation,” a noun, is “innovate,” a verb, and as defined by the OED, innovate means “*to change a thing into something new; to alter; to renew*” (Oxford English Dictionary, p. 997). For the most part in the literature, “innovation,” a “product” has been studied and not the “process” of change. The research of Walker, 1969; Gray, 1973; Eyestone, 1977; Bingham, 1977; Savage, 1978; Welch/Thompson, 1980; and Canon/Baum, 1981 centered on the study of diffusion of innovations, with “innovations” being a function of a product—either a law, a policy, an administrative rule or a tort doctrine. Although Lammers’ and Klingman’s “aging policy effort” included several different indicators and arguably provided a broader and deeper measure of “policy,” they still were dealing primarily with passage of legislation or implementation of a certain policy or program.

Lawrence B. Mohr sought an explanation for the varied findings in the innovation research. He argued that the research had not yielded a theory to permit scholars to predict the extent to which a given organization will adopt a given innovation (Mohr, 1969; Downs/Mohr, 1976, 1979). In his 1969 article, Mohr attempted to shift the focus from a discussion around the diffusion of a specific innovation or type of policy innovation to the *process* of innovation within public organizations. He wanted to identify the determinants of innovation in public agencies. He brought back into the debate many of the earlier concepts of the “innovation process” or “adoption decision-making process” highlighted in the founding work of Rogers.

Using a 1965 survey of 93 public health agencies in the states of Illinois, Michigan, New York, and Ohio and the province of Ontario, Mohr explored his hypotheses regarding the process of innovation in organizations. He suggested that innovation was a function of the interaction among the motivation to innovate, the strength of obstacles against innovation, and the availability of resources for overcoming such obstacles (Mohr, 1969: 111).

The variable emerging by far as the most powerful predictor of innovation was size of the organization. However, Mohr concluded that “size” was a theoretically incomplete finding. Size of the organization should predict innovativeness only insofar as it implies (1) the presence of motivation to innovate; (2) constraints on obstacles to innovation; and (3) provision of adequate resources for innovation (Mohr, 1969: 126). Mohr proposed that innovation theory needed to be further developed, but that his findings suggested that the theoretical construct of innovation should be viewed as a multiplicative function of the motivation to innovate and the balance between the obstacles and resources bearing upon innovation (Mohr, 1969: 126).

In a 1976 article, Mohr with his co-author George Downs continued to explore the complexity of issues regarding innovation in organizations and continued to attempt to address the instability in findings of the previous research efforts. Downs and Mohr suggested that there was not a single, unitary theory of innovation, but rather different theories to explain different aspects of innovation (Downs/Mohr, 1976: 713). Relying heavily on the early work of Rogers, they intimated that innovations and organizations had primary and secondary



attributes which require innovations to be interpreted differently by organizations and individuals.”. an innovation might be seen as minor or routine by some organizations but as major or radical by others” (Downs and Mohr, 1976: 704).

They proposed that an innovation does not exist as a separate unit of analysis, nor do organizations have consistent and constant properties. They recommended that innovations be viewed within the context of the organizational unit. “The unit of analysis is no longer the organization but the organization with respect to a particular innovation, no longer the innovation, but the innovation with respect to a particular organization” (Downs and Mohr, 1976: 706). This “innovation decision-design” should focus the attention of research on the shifting incentives and constraints that are relevant to the decision to innovate in complex organizations and away from single policy initiatives or passage of certain pieces of legislation.

In another joint article in 1979, Downs and Mohr built upon the concepts of innovation formulated in their 1976 article, and stressed the importance of focusing on the process of decision-making. They argued that for innovation theory to advance, it needed to be centered on the “innovation decision” rather than on the innovations themselves. They moved away from Walker’s and Gray’s use of “innovation” and “innovativeness” as a product—a law or a program—and considered it a process—the decision to do something new. In building a theory around the “innovation decision,” they considered organizational capacity and leadership factors, as well as the contextual issues surrounding a particular decision to innovate.

In 1983, Frendreis utilized many of Downs' and Mohr's suggestions regarding innovation research and explored the *process* of innovation adoption in an environment of limited resources in 45 American cities. The basic model Frendreis tested was that *decisions* by cities to innovate are due to organizational characteristics of the municipality, attributes of the innovations themselves, and a combination or interaction of these two classes of variables (Frendreis, 1983: 111). He followed Downs/Mohr's suggestion to focus on the "decision to innovate" versus the "innovation" itself, and narrowed his study to what he determined to be a "similar policy issue."

Frendreis defined innovation as: "a deliberate, novel, and specific change which is thought to be more effective in accomplishing the goals of city government" (Frendreis, 1983: 112). He examined the "movement towards" or the process of adoption of two innovations by city government—program budgeting and zero-based budgeting. He proposed that these two innovations were similar and that it was reasonable to expect that they should show similar patterns of adoption. However, he found that "none of the best five predictors of adoption movement for program budgeting show similar power for zero-based budgeting" (Frendreis, 1983: 118).

Frendreis concluded that his "research efforts reveal a disappointing tendency toward idiosyncratic results," and in essence the search for a general theory of innovation was "a fruitless enterprise" (Frendreis, 1983: 109, 120). Unfortunately, it is clear that Frendreis was not very familiar with budget development theory. Program budgeting allows flexibility on the

part of those administering the budget, whereas zero-based budgeting requires the administrator to justify his/her budget (Brizius, 1994; Wildavsky, 1975, 1992). It can be understood why “zero-based budgeting” was unpopular with finance officers and city budget staffs. It could easily be argued that these “innovations” are counter to one another, and thus it is reasonable to suggest that they would not follow the same innovation pattern.

Although my inferences from Frendreis’s study differ greatly from the author, his research focused on the dynamic decision-making processes within organizations. His main determinants of “movement towards innovation” included issues of public saliency, demographic needs, organizational knowledge, political leadership and consensus that the issue was a problem or something which needed to be addressed (Frendreis, 1983).

Glick and Hayes in 1991 focused their study of state policy innovation on this “continuous, dynamic policymaking process.” Glick and Hayes criticized much of the previous innovation research as being too narrowly focused on the decision to adopt a specific policy or law and not enough on the “extent of policy innovation” or what they called the “policy reinvention” (Glick and Hayes, 1991: 836-837). They examined the extent to which 38 states adopted and implemented living will laws between the years of 1976 and 1988. They stressed the need for political scientists to examine more than the chronology of the adoption of a presumed uniform policy.

Glick and Hayes discovered that policy innovation was an evolutionary process. Early innovation and reinvention through later adoption and amendment are important and distinctive

parts of the continuing innovation process. They found that though the earliest adopting state provided important policy leadership, the later adopting states were often more innovative, because they learned from the earlier adopting states about what worked and what didn't. Glick and Hayes suggested that this "reinvention process" was an important part of the innovation process (Glick and Hayes, 1991: 848).

In 1990, Berry and Berry in response to the varied findings from the innovation research and the suggestion from Mohr (1969) regarding an interactive model or theoretical construct for innovation, determined that significant work needed to be done on the methodology used for innovation research. Berry and Berry suggested that the two types of explanations of state government innovation: (1) internal determinants; and (2) diffusion models—are not inconsistent, but that they must be considered in a unified model. They defined internal determinants as the political, economic and social characteristics of a state; and diffusion as the influence of neighboring states in prompting a state to adopt a certain policy or law. Berry and Berry proposed that it is the interaction of these factors which can best predict state innovation.

Using Event History Analysis (EHA), through a probit model, Berry and Berry explored the probability that a state will adopt a lottery in a given year based on a variety of independent factors: the fiscal health of state government in the previous year; per capita income from the previous year; the proportion of a state's population adhering to fundamentalist religion; the degree to which there is unified party in control of the executive

and legislative units in a state; a dummy variable indicates if it is an election year, and the number of states sharing a border with the state which have already adopted a lottery. They found that neighboring states are found to have a stronger impact on the likelihood of a lottery adoption when the internal characteristics of a state are themselves favorable for innovation (Berry and Berry, 1990: 411). Berry and Berry confirmed the essential elements of Mohr's theory that the probability of state innovation is directly related to the motivation to innovate, inversely related to the strength of obstacles to innovation, and directly related to the availability of resources for overcoming these obstacles.

In 1992, Berry and Berry repeated this methodology using "state taxes" as a data base, and had similar findings regarding the influences of both internal determinants and regional diffusion (Berry and Berry, 1992). They suggested that Event History Analysis is a sufficiently promising research mode to use in the development of innovation theory. They proposed that scholars can subject theories of state government innovation to a powerful test by assessing whether these theories can predict the probability that a particular type of state will adopt a particular policy in a particular year.

In a 1994 article, Frances Stokes Berry, building on her previous research, reviewed the three dominant explanations of policy innovation--internal determinants, regional diffusion and national interaction models. She argued that the single-explanation methodologies used with each of these models--cross-sectional analysis, factor analysis, and time series analysis, respectively--did not recognize the influence of other models, and thus could not be a complete

explanation for innovation (Berry, 1994: 443). Using simulated data, she tested the “single-explanation model” and concluded that the conventional single-explanation methodology in state innovation literature is inadequate and often produces wrong results (Berry, 1994: 452).

Berry and Berry in their research do not rely on (nor do they cite) the later work of Mohr, in which he and Downs call for a greater focus on the organization and its role in the innovative decision-making process. The Berry and Berry model does not include a variable reflecting organizational capacity, or the role of the policy expert/entrepreneur/change agent. Their unified explanation methodology of innovation may appropriately account for differences in previous innovation studies, however, it reverts the dialogue back to a focus on product—a passage of a law—and not on the decision-making process.

Francis Berry in her 1994 article somewhat addresses this concern with her suggestion that the Event History Analysis methodology must be modified if it is to be appropriate for use in state innovation research. Given that policy innovation is somewhat a “continuous process” the “discrete time method” inherent in EHA must be adjusted to more appropriately reflect the continuum of change associated with innovation (Berry, 1994: 453). Berry recommended that any future model for state policy innovation must allow for the simultaneous specification of influences by both internal state characteristics and the behavior of other states.

In 1994, David C. Nice, in Policy Innovation in State Government, examined the different state characteristics that impact adoption of various state policies. Nice utilized a cross-sectional design and a quantitative 50-state comparative approach. Nice used a

comparative method to examine the causal processes underlying the adoption of eight distinct policy innovations. These issues included teacher competency testing, ratification of the Balanced Budget Amendment to the United States Constitution, sunset laws, public financing of election campaigns, rail passenger service, property tax relief, deregulation of intimate behavior and state ownership of freight railroads. Nice looked to the adoption of a policy innovation as a function of the problem environment, slack economic resources, and a state's general orientation toward innovativeness. Nice found that a state's problem environment created a significant stimulus for policy innovation, but discovered little support for the role of slack economic resources for any of his eight policies. Also, he could not make many broad generalizations about the factors influencing innovation, and found that there were many different causal processes that underlie the adoption of different policies.

A limitation to the Nice study was the dichotomous nature of the policy adoption variable. He simply reverted to an "adopt" or "not adopt" measure and did not heed the recommendations of Glick and Hayes to recognize the "extent of adoption" of the legislation. Nice also failed to integrate other factors into his analysis, including the role of pressure groups, neighboring states, and policy entrepreneurs in stimulating policy innovation.

Gray suggested that process studies and variance studies could learn from one another (Gray, in Dodd and Jilison, 1994). She agreed with Mohr's criticism that innovation research was too focused on variance studies, and proposed that the agenda formation literature, specifically the "policy process model" could provide a basis for broadening innovation theory.

Gray suggested that more national diffusion was occurring because of emerging policy networks, active professional associations and federal government incentives. She linked the innovation diffusion literature with the agenda formation literature and called for the inclusion of the concepts of policy windows, policy communities and policy entrepreneurs as critical components when explaining the process of innovation. Once innovation is centered on the process of decision-making, this linkage to agenda-setting can be quickly made.

### **Linking the Literatures—Innovation and Agenda-Setting**

Downs and Mohr cited the complexity of public policymaking as undermining the ability of the sub-field of innovation research to be truly scientific (Downs/Mohr, 1979: 379). They argued that “social scientists have allowed innovation to take on too many different meanings and have allowed its meaning to be ambiguous in too many significant respects” (Downs/Mohr, 1979: 385). Downs and Mohr suggested that incompatible definitions and inconsistent findings have resulted in research which is not cumulative, and that this level of instability has hindered the development of a core theory of innovation. The work of Berry and Berry regarding models and methods might well speak to these early concerns which were expressed in the literature. However, Downs and Mohr also argued that innovation theory can be advanced only if the focus remains on the decision-making process.

In building a theory around the “innovation decision,” Downs and Mohr suggested that issues such as organizational capacity, leadership factors, and contextual issues surrounding a particular decision to innovate must be considered. Many of these factors are mirrored in the



polycymaking and agenda-setting literature as determinants of policy initiation or agenda-setting. The agenda-building or agenda-setting literature points out the dynamic fluidity of the decision-making process involving people, problems, solutions and opportunities (Cohen, March and Olson, 1972; Kingdon, 1984; Elder and Cobb, 1984; Hayes, 1992; and Baumgartner and Jones, 1993). By narrowing the focus of innovation theory to the Downs/Mohr “innovation decision design,” these sub-fields can easily be crossed and innovation theory linked with agenda-setting theory.

Nelson Polsby purposely crossed the literatures in his 1984 Political Innovation in America. Although Polsby’s review of innovations reflected national policy changes,<sup>4</sup> he questioned the basics of how public policies come to be. He highlighted eight case studies of new policies in recent American political history. Polsby used the terms “policy initiation” and “innovation” interchangeably. He argued that the American political system is too complex and too difficult to settle definitely on the exact point in time at which any particular innovation emerges from the “primordial ooze” (Polsby, 1984: 13). He also suggested that those who are more curious about the shape of the real world must be willing to accept some necessary definitional compromises (Polsby, 1984).

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<sup>4</sup> The innovations reviewed in this publication include: (1) the creation of the Civilian Control of Atomic Energy; (2) the Creation of the National Science Foundation; (3) the Nuclear Test Ban Treaty; (4) the Truman Doctrine: Aid to Greece and Turkey; (5) the Formation of the Peace Corps; (6) the Creation of the Council of Economic Advisors; (7) the Creation of National Health Insurance for the Aged; and (8) the Local Participation in Community Action Programs.

Polsby proposed three criteria to delineate a policy innovation or initiation: (1) large scale and visible; (2) a purposeful break with preceding habit; and (3) lasting consequences (Polsby, 1984: 13). Polsby cited limitations in the study of policy innovation as being too narrowly focused on the “event” of the initiation, which artificially restricts an understanding of the process of change. Also, he suggested that such narrow focus did not satisfactorily address the issues of incentives and constraints on successful strategies of innovation implementation.

In his case studies, Polsby modeled his review of policy innovation or initiation after the Cohen, March and Olson’s “garbage can model”<sup>5</sup> (1972) of agenda-setting and policy development. He addressed issues of policy alternatives and the process of policy elimination. He highlighted the importance of policy entrepreneurs and organizational culture to spur innovation. He described political innovation as a combination of two processes.

The first, the process of invention, causes policy options to come into existence. This is the domain of interest groups and their interests, or persons who specialize in acquiring and deploying knowledge about policies and their intellectual convictions, of persons who are aware of contextually applicable experiences of foreign nations, and of policy entrepreneurs, whose careers and ambitions are focused on the employment of their expertise and on the elaboration and adaptation of knowledge to problems. The second process is a process of systemic search, a process that senses and responds to problems, that harvests policy options and turns them to the purposes, both public and career-related, of politician and public officials. As we have seen, in the American political system, search processes can be activated by exogenously generated crises and by constitutional routines, by bureaucratic needs and by political necessities. Describing political innovation in any particular instance thus entails describing how these two processes interact (Polsby, 1984: 173).

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<sup>5</sup> “A Garbage Can Model of Organizational Choice,” *Administrative Science Quarterly* 17 (March 1972).

The linking of the literatures on the state level was specifically done in 1992 by Henry R. Glick in his book, Policy Innovation and Its Consequences. Glick connected agenda-setting theory with state innovation theory in his review of Right to Die legislation in states.

If it were possible to neatly separate parts of the political process, innovation would begin where agenda setting ends, but the two clearly are connected. Most research on policy innovation assumes earlier agenda setting, but it rarely inquires into that process. Since studies of innovation take place after substantial diffusion and adoption has occurred, there is no need to discover how issues were placed before the government in the first place. Tracing the pattern of policy diffusion can stand on its own as a separate research enterprise. But to understand how particular issues emerge, evolve and are adopted, it is essential to begin to forge links between agenda setting and innovation (Glick, 1992: 41).

He proposed that agenda-setting is a process that focuses on how problems transform from a general social concern into specific items for official governmental action. Glick suggested that agenda-setting theories lean toward description and comparison of the strategies of political processes. In contrast, he argued that innovation deals with government *adoption* of new programs and policies, and the extent of how these programs are implemented. He suggested that the process of innovation was much more complex than the date a specific law is enacted (Glick, 1992: 42). In his comparative case studies of Massachusetts, Florida and California, he explored in detail how these three states reflect different patterns in agenda-setting and subsequent policy and program innovation. As suggested in his earlier work with Hayes (1991), Glick stated that a significant component of innovation was “reinvention,” and that few studies have considered both dimensions of “earliness of adoption” and “extent of adoption” for the same policy.

Mooney and Lee specifically focus on this concept of “policy reinvention.” in their review of pre-Roe abortion regulation reform in states. They suggested that policy adoption was similar to a social learning process. “The experiences of the states that have adopted the policy previously provide information that allows a later adopting state to predict these effects better”(Mooney and Lee, 1995:608). They found that the later adopters of abortion reform (Pre-Roe) took into account the experiences, both policy and political of the earlier adopting states, and that abortion reform efforts were both unidirectional and incremental and thus, consistent with “social learning theory.”

Mintrom and Vergari (1996) also continue building an explicit link between innovation and agenda setting in their research about the diffusion of school choice ideas across the United States. They focus on the role of “policy networks” or “planning communities” in ensuring approval for policy innovation. They emphasize the importance of the policy entrepreneur in manipulating the resources of the policy community and directing its support for the policy innovation being pursued.

By linking the literatures and focusing innovation on the process of policy change suggests that the “organization,” “institution,” or the “administration” are the critical elements to investigate when looking at determinants of state based policy innovation. In building a theory of state innovation, this dissertation proposes that it is critical that the focus be on organizational structures and governance practices. George W. Downs Jr., in Bureaucracy, Innovation, and Public Policy, argued that the policy determinants literature provided no

guidance in selecting those characteristics of the bureaucracy and its environment that might be responsible for the differential innovativeness of states. He suggested that previous innovation research was unstable and that too much variance was left unexplained, because researchers were paying attention only to a state's socioeconomic development or political attributes (Downs, 1976:41). Downs proposed that knowledge of key bureaucratic and task-environment characteristics would substantially increase the ability to understand and predict how states react to policy innovations. Downs argued that variables such as complexity of the organization and hierarchy are important dimensions of policy innovation, and that they deserve attention when analyzing the process of innovative decision-making.

Bureaucracies are made up of hierarchical structures with clear lines of authority and specific expertise. They function within established rules and regulations. These institutions of government are typically not collaborative nor innovative. "Nobody can be at the same time a correct bureaucrat and an innovator. Progress is precisely that which the rules and regulations did not foresee; it is necessarily outside the field of bureaucratic activities" (von Mises, 1944:67). The conventional criticism of bureaucracy is that it is inflexible and uncreative; it stifles spontaneity of the employees; and it is primarily unresponsive to the public (Downs, 1967).

James Q. Wilson, building on the earlier work of Weber (Weber, 1946) suggested that bureaucracy, given the regiment of the hierarchical structure, would be an ideal organization for the adoption/implementation of innovations, but not the conception of innovations (Wilson,

1966). Victor Thompson also argued that the conditions within bureaucracy are inappropriate for creativity, and are determined by a drive for productivity and control (Thompson, 1965).

Thompson examined the obstacles to innovation, and suggested that alterations in bureaucratic structures be made to increase innovativeness. He recommended that bureaucracies increase professionalization of employees; decentralize; create a looser and more untidy structure, including freer communications systems; engage teams of employees to organize around projects; rotate assignments; expand reliance on group processes; modify the incentive system; and change management structure. Thompson suggested that "conflict or coalition structures" encouraged innovation.

Unlike the bureaucracy literature, the literature on collaboration is short and primarily anecdotal. The root of the definition of collaboration can be found in the seminal work of Axelrod, The Evolution of Cooperation. Using concepts advanced within game theory, Axelrod investigated, in the absence of a central authority, how to inspire an individual to cooperate rather than pursue his own self-interest. Axelrod suggested that this mutual cooperation can be promoted in three different ways: making the future more important relative to the present; changing the payoffs to the players of the four possible outcomes of a move; and teaching the players values, facts, and skills that promote cooperation (Axelrod, 1984:126).

Collaboration involves individuals getting to know each other, the sharing of information and/or ideas, and also "making decisions together" (Chynoweth, 1993).

Collaborative strategic planning is long-range planning. Collaboration is about consensus planning. It defines the desired outcome, comprehensively assesses problems and opportunities, and most effectively utilizes limited resources to achieve results. The systematic use of collaboration as an innovative decision-making process tool extends beyond the interaction of participants and the sharing of information and resources, to include fundamental change in organizations and institutions as they are altered to support these collaborative endeavors. "Institutions matter in that they contribute to or impede particular policy capabilities" (Rockman, 1994:149). Collaboration might well be the explicit organizational procedure for linking innovation to other aspects of agency operations (Yin, 1979).

Collaboration is a process tool to create change. It is reasonable to suggest that process causes policy, however, this is just one-half of a complete theory, because it is also necessary to understand what causes certain processes. The necessary ingredients for a successful collaboration includes leadership, trust, commitment to reflective action, sharing of information and resources, clearly stated outcomes and finally action.<sup>6</sup> Leaders of collaborative efforts often face similar challenges—addressing turf issues, working through conflict, developing financial strategies, recognizing issues of diversity, agreeing on desired results, and developing strategies to achieve those results through consensus. The people who lead,

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<sup>6</sup> For a detailed discussion of collaborative processes, see Judith Chynoweth's book, A Guide to Community-based Collaborative Strategic Planning, CGPA, 1993; and the Melaville and Blank booklet, What It Takes: Structuring Interagency Partnerships to Connect Children and Families with Comprehensive Services, 1991.

participate in, and eventually implement the activities of interagency collaboratives need to have a common vision and joint commitment to or ownership of the process and/or product to make the collaborative successful.

The factors influencing policy innovation explored by Polsby (1984), Glick (1992), Mooney and Lee (1995), and Mirtrom and Vergari (1996) link directly with agenda-setting theory. According to the Kingdon model of agenda-setting, it is a multitude of factors and players that determine issues which get on the public agenda. He suggested that it is not simply a crisis or disaster which will launch something onto a policy agenda and define it as a “problem” to be resolved, but that “something else” needs to accompany this crisis (Kingdon, 1984:103). He also presented the need for “knowledge” to be resident among the policy specialists so that solutions can be developed for these problems (Kingdon, 1984:134-138). He also highlighted the role of the “political processes” which affect agenda setting (Kingdon, 1984:153-172). As Polsby, Glick, and Mirtrom/Vergari maintain, there is a definite connection between agenda-setting and innovation theory.

### **Summary—A Paradigm Shift or a Theory Building Loop?**

It seems apparent that efforts at building an “theory of policy innovation” have been stymied by a variety of problems, one of which is the desire for the discipline to distinguish between the sub-fields related to the development of public policy. Lindblom argued that the policy-making process can explain partially how governments pursue their various policy



targets, but not why the targets are chosen (Lindblom, 1980). Thomas Dye and Virginia Gray argued that: "The explanation of public policy can be aided by the construction of a model which portrays the relationships between policy outcomes and the forces which shape them" (Dye and Gray, 1980: 2). As Baumgartner and Jones suggested, broad research questions are sometimes not pursued because of the narrow focus of researchers who center their attention on issues of agenda-setting, policy implementation or policy evaluation and never make the connections between these various elements of the same policy cycle.

Those who have studied policy implementation typically have not emphasized the dramatic changes that often occur in the public agenda, and those who focus on the agenda often discount the strong elements of stability or incrementalism present in other parts of the policy cycle" (Baumgartner and Jones, 1993: 10).

Polsby (1984), Glick (1992), Mooney and Lee (1995), and Mintrom and Vergrari (1996) bridged sub-fields in their work. Also, Baumgartner and Jones (1993) explored the consequences of issue definition and how it is related to agenda processes and subsequent policy development. In their work on "comparative issue dynamics," they link the policy development literature with that of the agenda-setting literature. I suggest that when exploring the factors that influence innovative decision-making by state policymakers and administrators as they develop long-range plans for the aging of the baby boom population, we must look beyond the innovation literature. We should consider the early work of Dye, Gray and Lindblom in isolating the determinants of public policy. Also, we should review the agenda-

setting literature—the work of Kingdon, March and Olson, Hayes, and Heclo—and the roles of policies, politics, and individuals in the decision-making processes. These theories are interconnected and should be considered jointly if researchers are to wrestle with broad questions in a complex political environment.

It seems that with the genesis of the agenda-setting literature in 1984, there is a significant fall-off in the development of innovation theory. Innovation theory has been plagued by inconsistent definitions, unreliable findings, and contrasting methodologies. However, a continued focus on “innovation” is critical if we are to isolate factors contributing to the processes of innovation. Although connected, agenda-setting theory does not replace the basic elements of innovation theory. Kingdon emphasized the importance of linkages between problem identification and solutions. However, he was weak in articulating how “solutions” come about. He presented the concept of “Policy Primeval Soup” involving numerous players, particularly policy entrepreneurs, interacting in a variety of policy communities (Kingdon, 1984). However, Kingdon did not specifically address the issue of innovation—how the “new idea” comes about. This is the work of innovation theory—to discover how solutions are developed. It reflects the first of the “processes” which Polsby defined as innovation (Polsby, 1984).

In this dissertation, I build on the theory in the agenda-setting literature and the policy development literature. I expand on some of the hypotheses presented by Baumgartner and Jones regarding conflict resolution, and submit that innovation theory, as developed by Downs

and Mohr, significantly assists in answering the question posed by Lindblom—why targets are chosen. It also addresses Kingdon's weakness in identifying "how solutions come about." I maintain that these literatures are congruent. Theories within each sub-field need to be merged, if we are to address the complex political, social, economic and organizational factors which explain and predict state-based aging policy, and if we are to come to a better and fuller appreciation of the factors which can influence state-based policy innovation.

Using the "innovation design theory" of Downs/Mohr as my theoretical framework, I focus on the "process" of innovation—the act of changing, altering or renewing. By limiting my work to the "process of innovation" I have the opportunity to respond to some of the challenges put forth by Downs and Mohr almost 20 years ago regarding the conceptualization of dependent variable and the interaction among independent variables (Downs and Mohr, 1976).

By bringing in the theories advanced by Dye and Gray and others regarding determinants of public policy, and the work of Kingdon, Hayes and Baumgartner and Jones on agenda-setting, I advance the discussion of "policy innovation" on the state level. By linking the distinct theories in these literatures, I explore the correlates of policy innovation on the state level, and discuss the conditions under which state public administrators and policymakers respond innovatively to the demographic, social, economic and political challenges of the aging of America. As Eckstein suggested, the work of this dissertation should "feed back" to the existing theoretical constructs, and assist in the theory building process, allowing for further

refinement and adjustment to innovation theory, agenda-setting theory and policy development theory (Eckstein in Greenstein and Polsby, 1975).

## **Chapter 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **CREATING A MODEL OF STATE LEVEL INNOVATION DECISION DESIGN FOR THE DEVELOPMENT OF STATE AGING POLICY**

*"Intellectual progress proceeds by fits and starts, and cannot be sustained solely by methodology."*

*Christopher H. Achen  
Interpreting and Using Regression, 1982*

#### **Introduction**

There are numerous policy analysis models and methods developed to assist political scientists in their research pursuits. These methods are easily grouped into two general categories of quantifiable and qualitative research. Different research approaches are appropriate for different types of problems, and insights from quantitative and qualitative approaches can be viewed as complementary rather than conflicting (King et al, 1991).

The more methodologically rigorous quantifiable method used by political scientists is regression analysis. Regression analysis is based in microeconomic theory and allows researchers to determine relationships between variables (Lewis-Beck, 1980). Regression analysis is hailed by social scientists as a strong predicting tool, permitting them to advance the

discussion about causal inference. The other side of quantifiable research is qualitative research, which is thick in description and often criticized for being methodologically weak. Qualitative research tools include case studies, ethnography, historiography, participant observation, and comparative studies.

### **The Research Design**

A research design is basically a blueprint of research to be conducted. The research design is “the logical sequence that connects the empirical data to a study’s initial research questions, and ultimately, to its conclusions” (Yin, 1984: 28). In developing the research design for this dissertation, I heeded the advice of Lowi (1964) to be both relevant and rigorous. I followed the advice from Campbell that methodologists must achieve an applied epistemology which integrates both qualitative and quantitative research (Campbell, 1975: 191). This dissertation combines the rigor of aggregate regression analysis with the richness of a comparative case study.

The research questions are the core of the research design. As submitted by Yin (1984), it is from these questions, that a researcher develops his/her hypothesis, test this hypothesis through both quantitative and qualitative methods, draws conclusions, and hopefully advances the political science discourse. Specifically, at the core of this research design are the following questions:

- (1) What internal determinants within a state—demographic, socioeconomic and political—are plausibly causal in state planning for the aging of the baby boom population, and the subsequent development of aging policy for the 21st century?

(2) What governance structures and practices within state government are associated with policy innovation and provide for an “innovative” environment within which to respond to the demographic realities of the 21st century?

In an attempt to answer these questions, two corresponding hypotheses are developed, which reflect the theoretical framework used in this dissertation.

H<sub>1</sub>: States that have a significant number of older citizens currently, or anticipate notable growth in the number of elderly; larger, wealthier states; politically liberal; and have a unified political base between the executive and legislative branches are more likely to engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

H<sub>2</sub>: States in which an aging agenda is visible, or with governance structures that provide for and encourage interagency collaboration on the state level, or both are more likely to engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

In testing these hypotheses, this dissertation utilizes two distinct research tools. First, a written survey is conducted sampling the perceptions of state policymakers and administrators about aging in America and its implications for each state and their state agencies. These data were collected in a 1995 50-state survey of state policymakers and administrators in the health, social services and aging fields. Second, a comparative case study involving four states is convened, in which contextual information is gathered to provide more in-depth analysis of the assumptions confirmed in the written survey. This comparative study complements the aggregate analysis because the states selected, California, Indiana, South Carolina, and Vermont, are “outlier states” based upon the regression analysis. (See Interview Protocol used

with the case study states in Appendix C.) This comparative study is interpreted as a validity test for the aggregate analysis. In exploring the enablers of and constraints on the development of state aging policy for the 21st century, this dissertation relies upon Downs/Mohr's "Innovation Decision Design" as a framework for analysis. Its focus is on the "process" of innovation—the act of changing, altering or renewing. Consistent with the Downs/Mohr's design, it considers the motivation for and obstacles to innovation. This dissertation examines the "internal determinants" that might influence innovative decision-making, as defined by Berry and Berry (1990), as well as the processes or governance practices which ignite new ideas or allow new ideas to be adopted and/or implemented. This review of the influence of collaborative and cooperative work environments in state government on the innovative decision-making process significantly adds to the existing literature on policy determinants and also continues to build an innovation theory.

I propose that a state's ability to plan for and innovatively respond to the anticipated demographic challenges of the 21st century is a direct function of four inter-related state characteristics reflecting: 1) demographic aspects of the state; 2) a composite of socioeconomic characteristics of the state; 3) political factors within the state; and 4) the governance structure and practices within state government. Exploring these "internal determinants" within a state—the demographic, socioeconomic and political factors—has a long and rich history within state policy research generally, and specifically within the innovation literature. This examination of the determinants of state policy development can be found in



the work of Rogers (1962); Easton (1965); Dye (1966, 1978); Walker (1969); Baybrooke and Lindblom (1970); Lindblom (1959,1979); Gray (1973); Savage (1978); Dye and Gray (1980); Cannon and Baum (1981); Lammers and Klingman (1984); and Berry and Berry (1990, 1992).

Although the findings from this body of research have been conflicting at times, this dissertation re-examines the potential influence of selected demographic, socioeconomic and political factors on innovative decision-making processes.

This exploration into the fourth component of these “state characteristics”—the governance structure and practices within state government—reflects the work of Frendreis (1983), Polsby (1984) and Glick (1992). It focuses on the complex organizational elements in innovative decision-making, and examines the role of collaborative and cooperative processes within states and their influence on the development of aging policy. Although Lammers and Klingman (1984) looked at the capacity of the State Unit on Aging, they did so to determine if the state fulfilled the federal requirement to have such an office in order to get funds from the Older Americans Act of 1965. They did not consider governance issues or practices within the office of aging nor did they review cross state government or interagency collaboration efforts.

It is arguable that “governance issues and practices” within state government influence the ability of states to respond to the “aging crisis” and to plan innovatively for the year 2010 and beyond. In examining the role of governance structures and collaborative work environments, issues of entrepreneurial leadership and innovative organizational design, as well as the level of cross agency collaboration are considered. This builds upon the early work of

Polsby (1984), in which he considered the role of policy entrepreneurs and organizational culture in policy initiation and innovation. Also, it addresses the appraisal of Glick and Hayes (1991) and Glick (1992) that innovation is a “complex process” involving “reinvention”, and their criticism of previous innovation research focused narrowly on the adoption or non-adoption of a law or program. This dissertation also challenges the conflict-resolution hypothesis advanced by Baumgartner and Jones (1993), and suggests an alternative policy development process built upon interagency collaboration and cooperation.

### **Data Collection**

The first step in falsifying or validating the assumptions in the hypotheses, is the collection of empirical data. There are a variety of different data collection efforts used in this dissertation, some of which are primary sources and some secondary sources. The two primary sources of data involve a written survey, with a follow-up phone interview with representatives from selected states. The secondary sources consist of 1990 census information and factual details included in The Book of States.

The first step in implementing the research design was to gather information systematically from states about on-going, long-range planning for the shifting demographics, and the process by which states are preparing for the 21st century and the aging of the baby boomers. This effort was accomplished through a written survey to state level policymakers and public administrators. The second primary data collection effort was through a phone interview with representatives from four selected states, which enhances information gathered

from the written survey, and specifically focuses on the level of policy innovation and organizational entrepreneurship in their state.

Four-to-five different agencies were identified within each state that potentially could be influenced by the aging demographics and that had programs or policies currently affecting the elderly population. I focused only on those agencies which would be typically engaged in aging policy such as the departments of social services, mental health, public health, office of disabilities, office of veterans affairs, insurance commissioners, and offices/departments of aging. (See attached listing of the agencies surveyed in each state in Appendix A).

The names, titles, addresses and phone numbers of these agency heads/policy directors were verified during the months of April and May 1995. Four different survey instruments were created in order to limit some of the questions to the area of expertise of the agency surveyed. (See Appendix B for actual survey instrument used.) However, all survey instruments included the same questions about the awareness of demographic shifts; the planning capacity within the state to meet these demographic challenges; the estimation of innovativeness in planning for these changes; and the level of state collaboration in planning for this demographic shift.

In total, 324 state policymakers/public administrators were surveyed nationwide. These surveys were distributed and collected over a seven-week period during the latter part of the Summer of 1995 through a national organization known as the Council of Governors' Policy Advisors (CGPA). CGPA is a Washington based membership organization, which is an

affiliate of the National Governors' Association. CGPA had undertaken an initiative to educate and inform state policymakers about the shifting demographics of the 21st century and the potential implications for state policy. This subset of surveys was a part of the information gathered by CGPA. Also, as a part of this project, the two Lead Governors, Governor Chiles of Florida and Governor Branstad of Iowa, sent a letter to all 50 governors encouraging participation in this national survey.

The last of the surveys were returned by the end of September, 1995. Response rates varied depending upon agency and state. Of the 324 surveys distributed, 122 (38%) were completed and returned. This response rate is deceiving in that several states submitted only one response. For example, the departments of health and mental health might well refer their surveys to the department of social services for completion. Or, in some cases, offices of disabilities or aging were subsumed under another agency such as mental health or social services. Overall, 48 of the 50 states (96%) responded, and data are lacking only from the states of Pennsylvania and Delaware.

Information gleaned from these surveys provided the basis for the analysis conducted in this dissertation regarding the development of innovative state aging policy and planning strategies for the 21st century. However, it is also necessary to obtain factual information regarding demographic data, socioeconomic information and political factors for each state. Thus, in addition to the information gathered from these surveys, data from the 1990 census, made available through the Census Bureau, was used to get a variety of state demographic and

socioeconomic details. Also, information from the Book of the States regarding partisanship control of the executive and legislative branches in each of the 50 states over the last 15 years was utilized to allow for the construction of the political variables.

Finally, based on the findings from the aggregate analysis, four states are selected for in-depth exploration into the dynamics of long-range planning and innovative decision-making processes. This comparative case study was conducted as a validity check for the aggregate analysis. Data collection for this comparative case study of California, Indiana, South Carolina, and Vermont involves three sources. First, the written surveys which were completed in the summer of 1995 by their state policymakers or public administrators. Second, the plethora of demographic and socioeconomic data available on the state level from the Census Bureau. And lastly, a phone interview protocol was used with the representatives from these states on planning underway and the level of state agency collaboration in developing innovative strategies to deal with the demographic challenges of the 21st century. These interviews provide additional contextual information to complement the aggregate analysis.

### **Methodology Employed**

As previously stated, this dissertation employs both regression analysis and a comparative case study involving four states which are identified as “outliers” in the OLS regression. The data analysis program used was STATA, which provides easy access to diagnostic tests which were run on the regression model. The comparative case study was a

validity check for the findings from the aggregate analysis and was done to complement the findings in the aggregate analysis.

Although the four states selected, Vermont, Indiana, California and South Carolina, have different socioeconomic, political and organizational traits, the aging of the baby boom population should be of equal political and public policy concern among the state leaders, policymakers and public administrators because of the impending demographic imbalance. However, two states are planning innovatively for the aging of the baby boom population, while the other two states are not. This comparative case study should enhance the information gathered through the survey and provide contextual details regarding the relationship between interagency collaboration and innovative decision-making and strategic long-range planning. Dissertations are often done as single case studies or comparative case studies. This comparative case study simply allows for a more complete and interesting response to the questions posed in the research design, and should not be viewed as a thorough comparative review of the development of aging policies in these four states.

### **Creating the Model**

Regression analysis assumes that the structure of a relationship is systematic, and places on this relationship a series of conditions which must be met if the model is to have predictive power. "Without correct specifications, conventional statistical theory gives no assurance that the impact of a variable will be estimated accurately" (Achen, 1982: 11). The hypotheses examined in this dissertation, previously stated, argues that a positive relationship

exists between certain demographic, socioeconomic, political and governance factors and the on-going, long-range planning and innovative policy development in states regarding aging policy for the 21st century. Specifically suggested is a set of conditions, which when existing, will result in states being better prepared for the 21st century. These conditions include:

- If a state currently has a significant number of older citizens, or anticipates notable growth in the number of elderly;
- Is a larger and wealthier state;
- Is politically liberal;
- Benefits from a unified political base between the executive and legislative branches;
- Has a visible aging agenda; and
- Has governance structures that provide for and encourage interagency collaboration on the state level;
- Then this state will be more likely to actively engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

#### **The Dependent Variable—A Measure of Innovation:**

In chapter two of this dissertation, I presented the concept of “innovation” as a “process of decision-making.” This concept is consistent with the early innovation theory building efforts of Rogers (1962), and specifically compatible with the definition of innovation proposed by Mohr (1969) and Downs and Mohr (1976) in their theoretical construct—the innovation decision design. Also, by defining a measure of innovation as a “process” by which

new policy or program ideas are generated within a state, the caution expressed by Polsby (1984), and Glick (1992) about “innovation” reflecting the complexity of policy change is heeded. Criticisms have been levied against previous innovation research because of its over-reliance on the creation of a dichotomous dependent variable – the adoption or non-adoption of a specific piece of legislation (Glick and Hays, 1991; Glick, 1992; Berry, 1994; and Hays, 1996). Creating a measure of innovation which considers an on-going process of change addresses this criticism.

Also, in chapter two, I highlighted how Polsby (1984) and Glick (1992) precisely forged the link between the agenda-setting and innovation literatures. In the development of the dependent variable for this dissertation, this linkage to the agenda-setting literature is critical. The dependent variable in this dissertation is a measure of “innovation” defined as a process of decision-making. This measure of innovation is grounded in the agenda-setting literature in the concepts advanced by Kingdon (1984), Hayes (1992) and Baumgartner and Jones (1993).

Kingdon (1984) proposed that issues become a part of the public agenda when they are defined as problems and linked with possible solutions.

“We conceive of three process streams flowing through the system—streams of problems, policies, and politics. They are largely independent of one another, and each develops according to its own dynamics and rules. But at some critical junctures the three streams are joined and the greatest policy changes grow out of the coupling of problems, policy proposals and politics” (Kingdon, 1984: 20).



He articulated the importance of “capacity” to develop policy alternatives for the identified problems as critical to the agenda-setting process. Kingdon also discussed the crucial role of the “policy communities” and “policy entrepreneurs” in this agenda-setting process.

Michael Hayes (1992) did not limit himself solely to agenda-setting, but considered the more extensive processes surrounding public policy development. He suggested that there are four stages of policy development—problem identification, agenda setting, policy adoption and policy implementation. He portrayed these stages as concentric circles involving different players who take on different roles. Hayes suggested that at the center of the circle sits the “change agent,” who can be either a political player or a policy entrepreneur. The next circle involves more players from the “policy community”, in which the “suggested policy change” is refined and further developed. In the third circle, the proposed policy change moves into the larger political arena and becomes part of a more generalized public and political debate, and is subjected to both political and bureaucratic scrutiny. Finally, the fourth circle entails the implementation of the policy change and the need to effectively engage the bureaucracy and successfully engross the public support for the specific policy change.

Baumgartner and Jones (1993) proposed a conflict-resolution model as a basis for explaining how issues become part of a public/government agenda. They, like Kingdon and Hayes, emphasized the importance of problem or issue identification and definition, and they stressed the critical role of the policy expert or political leader in shaping the “policy image” and determining the “policy venue” in which the debate and discussion about policy change is

to take place. Baumgartner and Jones highlighted the function of “institutional structures” in encouraging or suppressing policy changes.

There are three common threads which run through these examples from the agenda-setting literature: (1) the need for “policy capacity” to define issues/problems and to develop solutions to these identified problems; (2) a specific role for “policy communities” or planning groups; and (3) the importance of “policy or political entrepreneurship and/or innovative strategy.” These “threads” can be arguably linked easily with the concepts of “enablers and constraints to innovation” advanced by Downs and Mohr (1969). These common “threads” form the basis of the dependent variable in this dissertation.

In developing a measure of the “innovative decision-making process” within states, I focus on: (1) policy capacity; (2) policy development and planning functions; and (3) the “innovation” of the strategy or the organization. The dependent variable is constructed out of survey responses, which is consistent with the research design of both Mohr (1969) and Frendreis (1983). Three questions on the survey are utilized to test these components of the “innovation decision design.” The question used to test policy capacity was:

(1) “Please evaluate the current capacity of the state to effectively meet the challenges and opportunities of these shifting aging demographics in enhancing and assuring the quality of life of older Americans including health care and social support services?”

*minimal                      sufficient                      superior*

The question used to test “policy communities” or planning underway was:

(2) “How would you describe your state’s planning for a coordinated support system to detect gaps in services and develop new resources to meet the needs of a changing older American cohort?”

*poor*                      *fair*                      *good*

The final question, testing “innovative strategy” was:

(3) “How innovative is your state’s strategy for providing human/social services to the aging baby boomer cohort?”

*not at all*                      *somewhat*                      *very*

There is minimal correlation between these three questions, and it is arguable that they are measuring different aspects of the “innovation decision design.” The correlations are:

**Table 2—Correlates: Capacity/Policy Community/Innovation**

	Capacity	Policy Community	Innovation
Capacity	1.0000		
Policy Community	.1336	1.0000	
Innovation	.3055	.4451	1.0000

The responses to these questions are then collapsed into a single dependent variable—an “innovative decision-making index.” The dependent variable is ordinal, and based on a scale of 0-3, with “0” representing “poor,” “minimal” or “not at all,” and “3” representing “good,” “superior,” or “very.” This variable is titled “index” and state scores are continuous ranging from .83 to 2.50.

### **The Influence of Independent Factors:**

Berry and Berry, in their 1990 article, outlined “internal determinants” of innovation. They defined these internal determinants as the political, social and economic characteristics of a state and distinguished them from regional diffusion factors or the influence from “nationalization.” Use of such “determinants” has a long history within the discipline generally, and specifically within the innovation research. Walker, 1969; Gray, 1973; Savage, 1978; Cannon and Baum, 1981; Frendreis, 1983; Lammers and Klingman, 1984a; Lammers, 1989; Glick and Hayes, 1991; Berry and Berry, 1990, 1992; and Glick, 1992 utilized a variety of demographic, economic, social and political variables in their analysis of the independent influences on innovation. The explanatory factors used in this model include many of the same independent variables as employed in these previous studies, and are grouped into four general categories: demographic, socioeconomic, political and organizational.

### **Demographic Factors:**

Population statistics are readily used by social scientists in many different areas of study. The use of state population and population density as a independent factor in innovation diffusion studies dates back to some of the earliest work in the field by Ryan and Gross (1943). State population has been found to be a significant predictor of innovation (Walker, 1969; Savage 1978; Cannon and Baum 1981). Lammers and Klingman (1984) in their analysis of aging policy innovation from 1955-1975 considered percentage growth in states’ elderly population during the 20-year time frame of the study, and its potential influence on the

development of aging policy. They, however, did not find that the percentage of elderly in a state's population was a strong predictor of the development of aging policy in that state. Also, Lammers (1989) found that "there is no consistent tendency for states with higher concentrations of elderly to have either earlier or more substantial policy responses" (Lammers; 1989: 52).

Although the findings about the influence of "population" were inconsistent in past studies, there is enough established research correlating demographics and subsequent policy development, that this regression model uses demographics as an independent factor. There are four separate demographic statistics initially considered for the model. The demographic variables considered for each state included:

- (1) Percent change in persons over the age of 65 over the last 15 years--1980-1995;
- (2) Percent of population of persons over the age of 65 in the state in 1995;
- (3) Projected change in the percent of persons over the age of 65 from 1995-2020;
- (4) Projected percent of population of persons over the age of 65 in the state in the year 2020.

The year 2020 is selected as the "out year" because it reflects the middle of the agewave of retiring baby boomers. The birth span for baby boomers covered an 18 year time span, as will also their retirement. The first cohort of baby boomers will begin turning age 65 in the year 2010, with the last of the boomers entering the traditional "retirement age" in the year 2029.

It is reasonable to suggest that if a state experienced recent growth in the number of elderly, or if such state has a significant number of elderly currently, then there is a potential that this population will influence the development of aging policy. Since this dissertation focuses on the long range planning for the baby boom population, it is also hypothesized that the anticipated growth in elderly in the state would also potentially influence the planning underway for these demographic changes.

There is significant correlation—.89—between past growth, current number of elderly, and the projected percentage of persons age 65+ in 2020. Therefore, the only demographic statistic selected for the model out of these three is the population of persons 65+ in the state in 1995. The percentage growth in elderly projected from 1995-2020 is also used as an independent variable in the model. This statistic is not significantly correlated with the current level of elderly, and can be used as an explanatory variable for planning for anticipated demographic changes. Thus, these two demographic statistics are used in the regression model as explanatory factors for the innovation index.

#### **Socioeconomic Factors:**

Throughout the political science literature, a variety of socioeconomic variables are considered. Thomas Dye (1966), in creating his model for the analysis of policy outcomes in states, looked specifically at urbanization, per capita income in a state, poverty level, and education level. He saw these as critical inputs in the policymaking process. Walker, 1969; Gray, 1973; Savage, 1978; Cannon and Baum, 1981; Lammers and Klingman, 1984; Lammers,

1989; and Berry and Berry, 1990 and 1992 considered many of these same independent variables when analyzing the influence of socioeconomic factors on policy innovation. In the work of Berry and Berry (1990 and 1992), and particularly in Nice's research (1994), not only was individual financial well being considered, but they also emphasized state resources—ability to pay—and the role they play in the initiation and implementation of new programs.

There are numerous socioeconomic variables that can be included in the model. The challenge is determining the most relevant and significant variables to incorporate into the model to assure that it is specified correctly. Given the significant findings of Walker (1969) and Savage (1978) and Berry and Berry (1990 and 1992) regarding the potential correlation between large, wealthy urbanized states and innovation, it is reasonable that these factors be considered as a part of my model. Although Nice (1994) found little support for his hypothesis regarding “slack resources” and innovation, given the importance of state fiscal capacity emphasized in the Lammers and Klingman study (1984) on aging policy innovation, a state's general fund budget is also incorporated as a potential explanatory variable in the model. The initial socioeconomic variables considered included:

- (1) Per capita income of all persons in the state (1990 census);
- (2) Percent of population living in a metropolitan area (1990 census);
- (3) Poverty level of all persons in the state (1990 census);
- (4) Poverty level of elderly (65+) in the state (1990 census);
- (5) Population size (1990 census)—states are categorized into three categories  
—the largest 10 states, the middle 30 states, and the smallest 10 states; and

(6) State General Fund (in millions of dollars) appropriated in the 1995 state budget.

Given the high correlation rate of .79 between the elderly poverty rate and the overall poverty rate, and the relatively high negative correlation of -.60 between the poverty rate and per capita income, any model including all three variables would suffer multicollinearity problems. I determined that the closest measure of “wealth” as defined by Walker (1969) is the “per capita income” variable. Therefore, I dropped the poverty variables from consideration. Also, in that the correlation between urbanization and per capita income is moderately high at .58, it is arguable that one of these variables should be excluded.<sup>7</sup> Since the emphasis in the findings from Walker (1969) and Savage (1978) and Berry and Berry (1990 and 1992) reflect the importance of “wealth”, and per capita income is a stronger predictor of the innovation

<sup>7</sup> A model with only these two explanatory variables show that the "Per capita income" variable is stronger, and thus should be selected over the level of urbanization in a state.

regress index percapin urbanpct						
Source	SS	df	MS	Number of obs = 45		
Model	.613762336	2	.306881168	F( 2, 42) =	2.20	
Residual	5.86194898	42	.139570214	Prob > F =	0.1236	
Total	6.47571132	44	.147175257	R-squared =	0.0948	
				Adj R-squared =	0.0517	
				Root MSE =	.37359	

index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
percapin	.0000509	.0000243	2.092	0.043	1.79e-06	.0001
urbanpct	-.0054896	.0047758	-1.149	0.257	-.0151275	.0041483
_cons	1.066826	.3901532	2.734	0.009	.2794646	1.854187



index, the regression model includes only per capita income, population size and the state's general fund budget, as the socioeconomic explanatory factors.

### **Political Factors:**

There has been significant research regarding the relevance and importance of political systems and their potential influence on public policy outcomes in states. The role of politics, party systems and power structures have been examined by many political scientists over the years with mixed findings (Easton, 1965; Dye, 1966, 1978; Fry and Winters, 1970; Uslander, 1978; Lewis-Beck, 1977; Stonecash, 1980; Lammers and Klingman, 1984; Berry and Berry, 1990, and Lowry, 1996). Often, the debate in the literature is the relative importance of socioeconomic factors over political factors. In Dye's model (1966) of the policymaking process, he presents a structure in which both socioeconomic and political factors are relevant explanatory variables. He suggests that socioeconomic factors are filtered through the political system—party systems and power structures—to develop state policies. Stonecash (1980) built on this concept, and suggests that “politics” play a facilitative role in the creation of policy.

Specifically within the innovation literature, there also has been mixed findings regarding the relevant significance of politics, partisanship and ideology. Cannon and Baum (1981) looked at political party, political ideology and political culture in their study. They found no correlation between politics and innovation. However, in Lammers and Klingman (1984), Klingman and Lammers (1984) and Lammers (1989), political liberalism seemed to be a significant explanatory variable for innovativeness in aging policy.

Given the Lammers and Klingman (1984); Klingman and Lammers (1984) and Lammers (1989) findings regarding political liberalism, I determined that some measure of political liberalism should be incorporated into the initial model. Historically, the Democratic party is known for a more socially liberal agenda and a pro-government activist political culture or ideology. Therefore, it is arguable that a Democratically controlled state, either the executive or legislative branches, should be more innovative. As a measure of political liberalism, this dissertation examined the control of both the executive office and legislature over a fifteen year period—1980-1995. This time frame is selected for a variety of reasons. Generally, on the national level, the decade of the 1980s is considered fiscally conservative, given the two Reagan administrations. There were also significant policy changes implemented in 1981, divesting more domestic policy responsibilities to the states through block grants. Also, the aging issue was on the national agenda, in that a Social Security Review Commission was established to examine the solvency of Social Security. In addition, important tax changes took place in 1986 regarding the taxability of Social Security income. In the early 1990s, with the election Bill Clinton, aging is once again on the forefront of national policymaking with the health care reform initiatives and the discussion of Medigrants.

Not only is political liberalism or partisanship examined as relevant political explanatory variables in the literature, there is also a fair amount of research regarding the importance of political unification of the executive and legislative branches. Jacobson (1990) in his work on Congress advances the theoretical framework of “divided government” and suggests that the

electorate purposely selects different parties to control different branches of government because they want a system of political checks and balances. Lowry, et al (1996) explored the role of unified party government in explaining the connection between state spending and election outcomes. They found that when there was unified government, the electorate was more specific on blaming the party in control for economic conditions and state spending.

In addition to political liberalism, and unified party government, the role of interest groups cannot be discounted. It has been argued that interest groups are significant motivators for agenda setting and policy development (Dye, 1966; Kingdon, 1984; Elder and Cobb, 1984; Hayes, 1992; Baumgartner and Jones, 1993). Specifically, when considering the aging issue, interest groups have played an important part in developing policy and furthering an aging agenda (Binstock, 1972, 1991; and Cutler, 1977). Lammers and Klingman (1984) did not find interest groups per se as a significant predictor of innovation in their study. However, it is still feasible to examine the role of aging interest groups in state policy innovation, given these other studies.

The American Association of Retired Persons (AARP) is the largest representative group for the elderly. It currently has thirty-three million members. AARP has historically been active in lobbying on behalf of its members in Congress. Most recently AARP has been credited (or blamed, depending on your perspective) with the stalling of the recent efforts by Congress to balance the budget, and with blocking their efforts to block grant Medicaid to the states.

The political variables initially examined included:

- (1) Governor partisanship over the last fifteen years—this is constructed as a numeric value representing the number of years the state was under Democratic executive control through the years of 1980-1995. The scale can run from 0-15.
- (2) Legislative partisanship over the last fifteen years—this is constructed as a numeric value representing the number of years the state was under Democratic legislative control through the years of 1980-1995. The scale can run from 0-15.
- (3) Unified government—defined as the number of years from 1980-1995, which the executive and state legislature was of the same party. This variable is constructed as a dummy variable—“+1” if the governor’s office, the state senate and state house were controlled by the same party, a “0” if the control of the state legislature was split (or if an Independent controlled the governor’s office), and a “-1” if the governor’s office was controlled by one party and the state legislature was controlled by the other party. (Nebraska because it has a non-partisan and unicameral legislature, it was not computed.) There were eight elections over the course of fifteen years, and therefore the range of this variable is from -8 to +8;
- (4) Percent of persons over the age of fifty (defined eligibility) in the state who are members of the American Association of Retired Persons (AARP).

#### **Organizational Factors:**

The last group of independent variables considered in the model were organizational.

To examine organizational capacity is difficult because of the numerous ways in which to measure it, along with the difficulty of measuring it. From the early work on the bureaucracy done by Downs (1967) to the most recent efforts by Osborne and Plastrick (1997), the importance of individual leadership and personal relationships in work environments is stressed.

As already pointed out, the exploration of organizational capacity is extensive in the agenda-setting literature (Kingdon, 1984; Hayes, 1992; and Baumgartner and Jones, 1993), and again the elements of personal leadership, entrepreneurship and technical capacity are highlighted. Specifically within the innovation literature, Polsby (1984); Glick and Hayes (1991); and Glick (1992) emphasize the importance of the entrepreneurial organization and its' linkage to policy innovation.

Peters and Austin (1985); Peters, (1988) suggested that one of the most critical elements in successful organizations is the ability of the organization to form informal working networks. Specifically, Peters tied the capacity to innovate with the creation of "skunkworks" within an organization--informal teams of people working together on a single problem or on a single project. Osborne and Gaebler (1993) transferred many of these concepts to the public sector, and they evaluate the effect of "teams" and "informal participatory management practices" in public administration. Osborne and Gaebler showed that there are many examples in the public sector where entrepreneurship and informal networks yield more efficient and effective services. They, too, make the tie between these informal networks and innovation.

The hypothesis in this dissertation regarding collaboration reflects the emphasis in the literature on the benefits of entrepreneurship, informal networks, "skunkworks," and interpersonal relationships. Also, it is proposed that if there is a cabinet level department of elder affairs which is in charge of aging issues and advancing the aging agenda, then there will

be more aging policy innovation. Thus, the model includes two explanatory organizational variables for state policy innovation. These organizational variables are:

- (1) Bureaucratic structure of the state function for providing services to seniors/elderly in the state—this is constructed as an ordinal variable ranging from 1-4, with 1=within another department; 2=autonomous organization; 3=an office within governor’s office; and 4=a stand alone cabinet level department;
- (2) Level of Interagency state collaboration—this explanatory variable is developed from a question on the survey regarding policy development for older citizens and the level of interagency collaboration. This is a continuous variable with a scale of 0-3. The question used is:

“Within your state, how would you describe the level of collaboration among state agencies and departments in developing a strategy for meeting the changing needs of the older Americans in the next few decades?”

*poor*                      *good*                      *excellent*

## Summary

Primarily, this dissertation is about theory building. It builds upon the work of Mohr and Downs, and further develops a theory of innovation that is focused on the process of innovative decision-making. The “innovation index” is constructed from three questions from the survey dealing with state capacity, planning underway and level of innovativeness. The regression model tests two separate hypothesis about the independent effects of demographics, socioeconomic, political and organizational factors on innovative decision-making. Measures are developed to test the significance of these explanatory variables. The model attempts to

explain and predict state level policy innovation in aging. The initial model constructed to test these hypotheses is:

$$Y = a + Bx_1 + Bx_2 + Bx_3 + Bx_4 + Bx_5 + Bx_6 + Bx_7 + Bx_8 + Bx_9 + Bx_{10} + Bx_{11} + e$$

$Y$  = innovative decision-making—the innovation index

$Bx_1$  = Percent of population of persons 65+ in the state in 1995 (1990 census);

$Bx_2$  = Projected percent change of persons 65+ from 1995-2020 (1990 census);

$Bx_3$  = Per capita income of all persons in the state (1990 census);

$Bx_4$  = Population size of state (1990 census);

$Bx_5$  = State general fund appropriation in 1995 (NASBO Report);

$Bx_6$  = Years of Democratic control of executive branch (Book of States)

$Bx_7$  = Years of Democratic control of state legislature (Book of States)

$Bx_8$  = unified government—executive and legislative branches (Book of States)

$Bx_9$  = Percentage of eligible 50+ persons belonging to AARP (AARP publication)

$Bx_{10}$  = Bureaucratic structure (survey data);

$Bx_{11}$  = Level of interagency state collaboration (survey question)

In the ensuing chapters, the validity of this model is explored through both regression analysis and a comparative case study.

## **Chapter 4**

### **THE FINDINGS**

#### **UNDERSTANDING THE INCENTIVES AND CONSTRAINTS ON STATE-BASED INNOVATIVE DECISION-MAKING THROUGH AGGREGATE ANALYSIS**

*“The unraveling of the determinants of public policy is one that has preoccupied social scientists since the advent of the behavioral revolution of the 1960s.”*

*George Downs  
Bureaucracy, Innovation and Public Policy, 1976*

#### **Introduction**

Social science research, whether qualitative or quantitative, seeks to explain and/or predict some or political phenomena. Researchers collect information, make observations if you will, about this phenomena and then attempt to process this information or these observations into coherent summaries—to tell a story. They try to discover what causes the patterns they observe. Causal mechanisms are impossible to determine with certainty, given the complexity of our social systems and the problem of inductive inference. Social theories rarely can say more than that certain variables are related to each other. However, one of the fundamental goals of inference is to distinguish the systematic from the random component of the phenomena studied. There are many statistical guideposts established within the social science discipline, as well as methodological diagnostics, which assist researchers in



distinguishing patterns of relationships from random acts. By applying these statistical and methodological standards to the observations or data gathered researchers tell the most plausible story. Regression analysis, discussed at length in chapter three, is based in microeconomic theory. It is a statistical tool that helps political scientists advance their theoretical arguments and tell their story. The most critical component of using this statistical tool is to be assured that the regression model is accurately specified. "Without correct specifications, conventional statistical theory gives no assurance that the impact of the variable will be estimated accurately" (Achen, 1982: 11). Ordinary Least Squares (OLS) assumes that the model is specified correctly. It assumes that the relationship between X and Y is linear; that there are no relevant independent variables excluded from the model (omitted variable bias), and that no irrelevant independent variables have been included (Lewis-Beck, 1980).

A regression model should not be viewed as final or complete (Achen, 1982: 52). The task of the researcher is to formulate a manageable description of the data that allows him/her to exclude competing theories. Given a set of dependable and meaningful independent variables with a linear relationship to the dependent variable, then the task for the researcher becomes one of variable selection. Variables are incorporated into the regression equation based on the theory being advanced. Variables are excluded or included in order to check specific hypotheses or counter-hypotheses. In determining which independent variables to include in the equation, the goal of the researcher is to decide if the model is a "good fit." There are a variety of diagnostic tests which assist the researcher in making this determination, and assists him/her in upgrading his/her theoretical and/or empirical models.

The  $R^2$  gives the percentage of the variance explained by the regression model.  $R^2$  is often reported as a measure of “goodness of fit”, but it has been argued that the standard error of the regression is a far better measure (Achen, 1982). Some researchers attempt to maximize the  $R^2$  by including irrelevant variables in the model. Although having more variables in a model may increase the  $R^2$ , it is not a reasonable procedure in that the model will not be specified correctly, nor be theoretically relevant. The F-statistic is also used to test the specification of the entire model. This statistic is the “explained variance divided by  $K - 1$ , divided by the unexplained variance divided by  $T - K$ ” (Hanushek and Jackson, 1977).

In regression analysis OLS is used frequently as the estimator. It is critical that these estimators are *BLUE*, signifying that the model is the Best Linear Unbiased Estimator. If the estimators are not *BLUE* then the model may be biased or inefficient and the explanatory power of the model is jeopardized. There are five assumptions around OLS, if maintained, OLS is proven to be *BLUE*.

- (1) That the independent variable (X) and the error term (U) are independent of one another.
- (2) That the estimator is unbiased;  $E[U]=0$
- (3) That U is not correlated with any other U term;  $E[UU'] = \sigma^2 I$ . Violation of this assumption is known as autocorrelation.
- (4) That the variance of U is constant and finite;  $E[UU'] = \sigma^2 I$ . Violation of this assumption is known as heteroskedascity.
- (5) That U is normally distributed.

There are a variety of statistical tests that can be performed to validate these assumptions. Some of these tests require simple visual examination of the residual plots, while

other tests involve more sophisticated diagnostics. All of the methodological work must be considered part of the theory building process. “Wisdom must be guided by theory, and some of the necessary theory is statistical.” (Achen, 1982:78). This dissertation attempts to explain and predict the level of innovative decision-making in states regarding the aging of the baby boom population. The first step in this effort is the development of a theory, which is grounded in the literature, and is testable, given the information or observations gathered. Again, the emphasis is on developing a parsimonious, reliable, and valid theory and to test this theory through specified hypotheses. It is about telling the most interesting and plausible story possible.

### **The Hypotheses**

As highlighted in chapter three, at the core of the research design for this dissertation are two specific questions:

- (1) What internal determinants within a state—demographic, socioeconomic and political factors—are plausibly causal in state planning for the aging of the baby boom population, and the subsequent development of aging policy for the 21st century?
- (2) What governance structures and practices within state government are associated with policy innovation and provide for an “innovative” environment within which to respond to the demographic realities of the 21st century?

In an attempt to answer these questions, two corresponding hypotheses are developed, that reflect the theoretical framework used in this dissertation.

H<sub>1</sub>: States that have a significant number of older citizens currently, or anticipate notable growth in the number of elderly; are larger, wealthier states; are politically liberal; and have a unified political base between the executive and legislative branches will be more likely to actively engage in long-range

planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

H<sub>2</sub>: States in which an aging agenda is visible, and/or with governance structures that provide for and encourage interagency collaboration on the state level will be more likely to actively engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

The initial model constructed in chapter three to test these hypotheses is:

$$Y = a + Bx_1 + Bx_2 + Bx_3 + Bx_4 + Bx_5 + Bx_6 + Bx_7 + Bx_8 + Bx_9 + Bx_{10} + Bx_{11} + e$$

Y=innovative decision-making—the innovation index

B<sub>x1</sub> = Percent of population of persons 65+ in the state in 1995 (1990 census);

B<sub>x2</sub> = Projected percent change of persons 65+ from 1995-2020 (1990 census);

B<sub>x3</sub> = Per capita income of all persons in the state (1990 census);

B<sub>x4</sub> = Population size of state (1990 census);

B<sub>x5</sub> = State general fund appropriation in 1995 (NASBO Report);

B<sub>x6</sub> = Years of Democratic control of executive branch(Book of States)

B<sub>x7</sub> = Years of Democratic control of state legislature(Book of States)

B<sub>x8</sub> = unified government--executive and legislative branches(Book of States)

B<sub>x9</sub> = Percentage of eligible 50+ persons belonging to AARP (AARP publication)

B<sub>x10</sub> = Bureaucratic structure (survey data);

B<sub>x11</sub> = Level of interagency state collaboration (survey question).

This model attempts to explain and predict state level policy innovation in aging. Through the use of the STATA statistical software package, a regression analysis was conducted to test the validity and reliability of the model, as well as attempt to make the model most parsimonious.

### Testing the Model

The following chart<sup>8</sup> outlines a variety of tests to run to determine if the regression model meets the central considerations of econometric inference.

**Table 3—Validation Tests**

Econometric Issue	Diagnostic Test	Source
Specification	Reset	Ramsey, 1969
Collinearity	R <sup>2</sup> /Linear Transformation	Johnston 1984; Hendry and Morgan 1989
Heteroskedascity	White Test	White, 1980
Residual autocorrelation	Durbin-Watson	Durbin-Watson, 1950 and 1951

This initial model<sup>9</sup> includes all of the variables reflected in my hypotheses. A reduction process is followed which eliminates extraneous variables from the equation, thus reflecting a better fit.

The following are the results:

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<sup>8</sup> The following chart is adapted from article written by James Granato (1991).

<sup>9</sup> For purposes of all models detailed in Chapter 4, the following definitions apply:

pct65\_95 = Percent of population of persons 65+ in the state in 1995 (1990 census);

pctc9520 = Projected percent change of persons 65+ from 1995-2020 (1990 census);

percapin = Per capita income of all persons in the state (1990 census);

popsizeg = Population size of state (1990 census);

fiscalre = State general fund appropriation in 1995 (NASBO Report);

(Continued Next Page)

**Table 4—Initial Model**

regress index pct65_95 pctc9520 percapin fiscalre popsizeg aarppct demgov demleg unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35 <sup>10</sup>		
Model	3.94819414	11	.35892674	F( 11, 23) = 4.22		
Residual	1.95536026	23	.085015664	Prob > F = 0.0017		
				R-squared = 0.6688		
				Adj R-squared = 0.5104		
Total	5.9035544	34	.173633953	Root MSE = .29157		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pct65_95	-.0051062	.0357007	-0.143	0.888	-.0789587	.0687463
pctc9520	-.0039427	.0025663	-1.536	0.138	-.0092515	.001366
percapin	.0000466	.0000258	1.804	0.084	-6.82e-06	.0001
fiscalre	-.0000156	.000011	-1.418	0.170	-.0000383	7.15e-06
popsizeg	-.029658	.039092	-0.759	0.456	-.1105258	.0512099
aarppct	.0133107	.0104879	1.269	0.217	-.0083853	.0350066
demgov	-.0337577	.0136543	-2.472	0.021	-.0620039	-.0055116
demleg	.0050758	.0120298	0.422	0.677	-.0198098	.0299614
unified	.0314877	.0151939	2.072	0.050	.0000566	.0629188
orgstruc	-.1040456	.0422042	-2.465	0.022	-.1913516	-.0167396
var20_1	.2942613	.1025482	2.869	0.009	.0821243	.5063984
_cons	.5379964	.8953606	0.601	0.554	-1.314198	2.390191

(Continued from Previous Page)

demgov = Years of Democratic control of executive branch(Book of States)

demleg = Years of Democratic control of state legislature(Book of States)

unified = unified government—executive and legislative branches(Book of States)

aarppct = Percentage of eligible 50+ persons belonging to AARP(AARP publication)

orgstruc = Bureaucratic structure (survey data);

var20\_1 = Level of interagency state collaboration (survey question).

<sup>10</sup> Observations fall from 48 states to 35 because of absence of complete information. The states eliminated include: Nebraska, Louisiana, North Dakota, Colorado, New Hampshire, Alaska, Utah, Montana, Rhode Island, Arkansas, Arizona, and North Carolina.

According to the F test, the overall model is significant at  $>.99$  level, and approximately 51% of the overall variance in state based innovation in aging policy, as measured by the adjusted  $R^2$  is being explained. The MSE equals .29. The next step in the analysis was to look more closely at the individual variables, examining them for their relative significance in explaining and predicting aging policy innovation in states, as well as exploring the direction of the relationship between the independent and dependent variables.

Several variables in this initial model are not significant. These variables appear to be extraneous and are not needed to explain or predict state aging policy innovation. Although the  $R^2$  and MSE might appear high in this model these variables cause the model to be misspecified thereby jeopardizing its significance in explaining and predicting innovative decision making regarding state aging policy. Therefore, it is necessary to recast this model to see if it can be strengthened.

The first set of variables examined are the demographic variables. It is hypothesized that states with a significant number of elderly currently or anticipated growth in elderly between the year 1995 and 2020, will be more likely to be actively engaged in innovatively planning and preparing for this demographic challenge of the 21st century. However, both variables are insignificant. Lammers and Klingman (1984) found that there was very little relationship between demographics and aging policy innovation and policy development. Their findings seem to be validated in this original model.

Both demographic variables are not in the anticipated direction. This model shows that the number of current elderly residing in a state or the anticipated growth in the number of

elderly in a state are inversely related to state aging policy innovation and development. Given that the individual variables are insignificant, it is difficult to draw a conclusion.

In this initial regression model the weaker of the demographic statistics is measured by the percentage of current elderly residing in a state. Since this dissertation is about the planning and preparation for the aging of the baby boom population, it is arguable that the number of current elderly might not be a relevant variable in explaining or predicting future aging policy. Thus, this variable is dropped from the model. The model is recast using only one demographic explanatory factor—the percentage change in elderly population between the years 1995 and 2020.

**Table 5—Model #1**

regress index pctc9520 percapi fiscalre popsizeg aarppct demgov demleg unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.94645496	10	.394645496	F( 10, 24) = 4.84		
Residual	1.95709944	24	.08154581	Prob > F = 0.0007		
Total	5.9035544	34	.173633953	R-squared = 0.6685		
				Adj R-squared = 0.5304		
				Root MSE = .28556		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval	
pctc9520	-.0037784	.0022472	-1.681	0.106	-.0084164	.0008597
percapi	.0000463	.0000252	1.837	0.079	-5.73e-06	.0000983
fiscalre	-.0000152	.0000104	-1.462	0.157	-.0000365	6.24e-06
popsizeg	-.0280889	.0367475	-0.764	0.452	-.103932	.0477542
aarppct	.0134078	.0102501	1.308	0.203	-.0077474	.034563
demgov	-.033401	.0131478	-2.540	0.018	-.0605369	-.0062652
demleg	.005136	.0117746	0.436	0.667	-.0191655	.0294375
unified	.0311651	.0147157	2.118	0.045	.0007933	.0615369
orgstruc	.1038468	.0413115	-2.514	0.019	.1891095	-.018584
var20_1	.296127	.0996178	2.973	0.007	.0905259	.5017281
cons	.4462768	.6119719	0.729	0.473	.8167711	1.709325



This appears to be a slightly stronger model. The overall significance of the model remains at  $> .99$ ; and the adjusted  $R^2$  rises from .51 to .53 with one less variable, but the MSE decreases to .28556. However, the individual demographic statistic is only significant at the .90 level. This measure is unacceptable, if I am attempting to make any causal inferences regarding the significance of this explanatory variable for state aging policy innovation.

However, there are additional weak variables in the model that might cause it to be misspecified. Possibly, by excluding other irrelevant variables, the explanatory power of this demographic measure might increase. The second set of variables examined are socioeconomic variables. In Model #1, the weakest socioeconomic variable is population size. This variable is considered primarily because of the findings from Fabricant (1952); Walker (1969); Savage (1978); and Gray, in Dodd and Jilson (1994). Both of these previous studies dealt with the diffusion of innovation and not with internal innovative decision-making efforts. Perhaps big states have a greater number of staff to send to national or regional conferences to gather new information, making size of state a relatively significant predictor of innovation diffusion. However, "size" appears insignificant when considering innovative decision-making and long range planning underway within a state.

The model, excluding the measure of population size, is estimated again with the following results:

**Table 6—Model #2**

regress index pctc9520 percapin fiscalre aarppct demgov demleg unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.89881009	9	.433201121	F( 9, 25) = 5.40		
Residual	2.00474432	25	.080189773	Prob > F = 0.0004		
Total	5.9035544	34	.173633953	R-squared = 0.6604		
				Adj R-squared = 0.5382		
				Root MSE = .28318		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.0039635	.0022155	-1.789	0.086	-.0085264	.0005994
percapin	.0000443	.0000249	1.783	0.087	-6.88e-06	.0000955
fiscalre	-9.50e-06	7.20e-06	-1.320	0.199	-.0000243	5.33e-06
aarppct	.014451	.010074	1.434	0.164	-.0062968	.0351989
demgov	-.0340088	.0130142	-2.613	0.015	-.0608121	-.0072056
demleg	.0087125	.0107148	0.813	0.424	-.013355	.03078
unified	.031213	.0145927	2.139	0.042	.0011587	.0612673
orgstruc	-.0963829	.0398057	-2.421	0.023	-.1783643	-.0144014
var20_1	.3102205	.0970793	3.196	0.004	.1102819	.510159
_cons	.19906	.5151882	0.386	0.702	-.86199	1.26011

Once again the overall model is significant at  $> .99$  level, and the adjusted  $R^2$  of .53 does not decrease when excluding this variable, nor is there significant decrease of MSE at .28318. Thus, it is reasonable to suggest that this variable was extraneous that adds nothing to the predictive power of the model, therefore it is dropped.

Also, the level of state general fund appears to be an insignificant factor. This finding seems to validate Nice's (1994) finding that there is little relationship between fiscal capacity and innovative policy development. Given that per capita income is an acceptable measure of "wealth" utilized liberally in the political science literature, as well

as in the innovation literature, the general fund variable is deleted, and per capita income retained.

The regression model is once again estimated with only one demographic factor and one socioeconomic factor. The following are the results:

**Table 7—Model #3**

regress index pctc9520 percapiin aarppct demgov demleg unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.75915523	8	.469894404	F( 8, 26) = 5.70		
Residual	2.14439917	26	.082476891	Prob > F = 0.0003		
Total	5.9035544	34	.173633953	R-squared = 0.6368		
				Adj R-squared = 0.5250		
				Root MSE = .28719		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.003963	.0022469	-1.764	0.090	-.0085815	.0006555
percapiin	.0000255	.0000207	1.235	0.228	-.0000169	.000068
aarppct	.0192946	.0095145	2.028	0.053	-.0002627	.0388519
demgov	-.0325808	.0131528	-2.477	0.020	-.0596167	-.0055449
demleg	.0073414	.0108153	0.679	0.503	-.0148897	.0295726
unified	.0362409	.0142861	2.537	0.018	.0068754	.0656064
orgstruc	-.0825194	.0389382	-2.119	0.044	-.162558	-.0024808
var20_1	.2979915	.0980044	3.041	0.005	.0965405	.4994425
_cons	.2577451	.5205335	0.495	0.625	-.8122268	1.327717

The per capita income variable remains insignificant in this newly defined model. My hypotheses state that aging policy innovation is influenced by socioeconomic factors. The per capita income variable is the strongest and seemingly most reliable of the socioeconomic factors. Before eliminating all socioeconomic factors from the model, it is critical to examine the other variables in the model. It is plausible that there might be a multicollinearity problem

between this socioeconomic factor and some other variable in the model thus influencing the explanatory strength of this factor.

In examining the political variables, it is quickly apparent that the weakest political variable in the model is the measurement of “political liberalism” constructed as the number of years the state legislature is controlled by Democrats. Since this dissertation is about long range planning and innovative decision-making, it is arguable that the state legislature is more reactive and responsive to executive initiated programs and policies. Therefore, it is likely that it would not be a significant factor in explaining innovative decision-making, and the variable is eliminated from the model.

It is feasible to suggest that the executive branch plays a much more proactive role in planning and policy development. It is not surprising to find that the measurement of “political liberalism” measured by number of years the governor’s office is controlled by a Democrat proves significant at  $>.95$ . However, it is surprising to discover that this relationship is not in the anticipated direction. There is an inverse relationship between Democratically controlled governors’ offices and long-range planning and innovative decision-making. This finding causes me to question if this variable is a fair measure of “political liberalism.”<sup>11</sup>

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<sup>11</sup> In Wright, Erikson and McIver (1985) they argued that “partisanship and ideology in the states are not measures of the same thing” (Wright et al, 1985: 475). The correlation between the state ideology measure developed by Wright, Erikson and McIver and the “political liberalism” variable designed in this dissertation is .06. This suggests that this variable is not a good measure of state political liberalism. However, Wright, Erikson and McIver were examining electorate party identification and individual ideology. Given that my measure of political liberalism is constructed as consistent partisanship of elected elites, it is arguable that these two measures need not correlate, given that they are looking at different aspects of politics and ideology.

As stated in chapter three, the time period utilized to construct this factor is 1980-1995. For the most part, twelve of these fifteen years reflect a substantial level of conservatism on the national level, and generally, a more conservative public sentiment. It is reasonable to suggest that a state with a relatively consistently Democratically controlled governor's office is indicative of a politically liberal state. I ardently examined the data to determine if the most consistently Democratically controlled governor's offices from around the nation are only in the South. If this measure is simply reflecting Southern Democrats, this factor would be rendered useless in measuring political liberalism in states.<sup>12</sup>

All of the southern states are in the highest tier of the scale (11+), which suggests that this would account for the negative relationship between this "political liberalism" variable and the innovation index. However, there are also twelve non-southern states in the highest level of the scale (11+). Therefore, I suggest that it is inconclusive if this is a fair measure of political liberalism, but, given these findings it does somewhat challenge those of Lammers and Klingman (1984), which stated that political liberalism and political openness were the major determinants of aging policy innovation.

The state legislature variable is eliminated, and the model is estimated once again, with the following results:

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<sup>12</sup> See V.O. Key, Politics, Parties, and Pressure Groups, fifth edition, and Southern Politics, in which Key speaks to the conservative nature of the one party Democrat system in the South and the level of "conservatism"—both from the standpoint of ideology and readiness to innovate.

**Table 8—Model #4**

regress index pctc9520 percapin aarpct demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.72115229	7	.531593184	F( 7, 27) = 6.58		
Residual	2.18240211	27	.080829708	Prob > F = 0.0001		
Total	5.9035544	34	.173633953	R-squared = 0.6303		
				Adj R-squared = 0.5345		
				Root MSE = .28431		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.0035675	.0021482	-1.661	0.108	-.0079753	.0008403
percapin	.0000265	.0000204	1.299	0.205	-.0000153	.0000684
aarpct	.018115	.0092606	1.956	0.061	-.0008861	.0371162
demgov	-.0344449	.0127338	-2.705	0.012	-.0605725	-.0083173
unified	.0393893	.0133766	2.945	0.007	.0119429	.0668358
orgstruc	-.0772658	.0377783	-2.045	0.051	-.1547804	.0002488
var20_1	.2668735	.0857524	3.112	0.004	.0909241	.4428229
_cons	.4096665	.4652461	0.881	0.386	-.5449397	1.364273

In eliminating this variable the F-test is still significant > .99, and the adjusted  $R^2$  for the model increases with dropping this variable, and there is no real difference in the MSE. The t-scores for two of the political variables—political liberalism and unified government—are significant. The relationship between unified government and innovative decision-making is in the anticipated positive direction. This suggests that a unified political base between the executive and legislative branches assists in the innovative decision-making in states and their long range planning in preparing for the aging of the baby boomers.

The last political variable in the model is a measure of interest group influence on the innovation index. In Model #4, the percentage of eligible members in the state who belong to AARP is not significant at  $> .95$  ( $p > .94$ ). According to normal standards (.95 significance level) this variable could be dropped. However, given my hypotheses, it is necessary to test the model further to determine if this variable should be maintained.

There is relatively moderate correlation (.53) between the per capita income variable and the percentage of AARP membership. Thus, in testing the model, per capita income is dropped from the model, with the following results:

**Table 9—Model #5**

regress index pctc9520 aarppct demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.58465849	6	.597443082	F( 6, 28) = 7.21		
Residual	2.31889591	28	.082817711	Prob > F = 0.0001		
Total	5.9035544	34	.173633953	R-squared = 0.6072		
				Adj R-squared = 0.5230		
				Root MSE = .28778		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.0034132	.0021712	-1.572	0.127	-.0078607	.0010342
aarppct	.0241143	.0081258	2.968	0.006	.0074693	.0407594
demgov	-.0341602	.0128875	-2.651	0.013	-.0605591	-.0077612
unified	.0416656	.0134235	3.104	0.004	.0141689	.0691623
orgstruc	-.0708409	.0379111	-1.869	0.072	-.1484983	.0068165
var20_1	.2459242	.0852528	2.885	0.007	.0712917	.4205567
_cons	.6619107	.4279857	1.547	0.133	-.2147784	1.5386

This shows that the overall model is still significant  $> .99$ , and the AARP variable becomes significant at  $> .99$ . The adjusted  $R^2$  is slightly reduced, but the MSE increases to .28778. However, the demographic variable is still not significant, and this model does not account for any influence from socioeconomic factors, which is a part of my hypotheses. The model is estimated one more time, eliminating the AARP variable and maintaining the per capita income variable, with the following results:

**Table 10—Model #6**

regress index pctc9520 percapin demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.41185674	6	.56864279	F( 6, 28) = 6.39		
Residual	2.49169766	28	.088989202	Prob > F = 0.0003		
Total	5.9035544	34	.173633953	R-squared = 0.5779		
				Adj R-squared = 0.4875		
				Root MSE = .29831		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.004497	.0021982	-2.046	0.050	-.0089999	5.81e-06
percapin	.0000464	.0000186	2.501	0.019	8.39e-06	.0000844
demgov	-.027422	.012819	-2.139	0.041	-.0536806	-.0011634
unified	.0289331	.0128662	2.249	0.033	.0025779	.0552883
orgstruc	-.0922425	.0388167	-2.376	0.025	-.1717548	-.0127301
var20_1	.318701	.0855743	3.724	0.001	.1434101	.4939919
_cons	.8216884	.4352712	1.888	0.069	-.0699243	1.713301



By eliminating the AARP variable, all of the other variables in the model become significant, and all of the factors anticipated as relevant in my hypotheses are included. The F-test is  $> .99$ , the adjusted  $R^2$  falls to .48, but the MSE increases to .29831. Although the  $R^2$  decreases, it is arguable that this is a much stronger model and a better “goodness of fit,” given that each of the explanatory factors are significant, the F-test  $> .99$ , and the MSE increases.

It is now possible to draw some conclusions regarding the impact of demographics on aging policy innovation and planning. There is an inverse relationship between the anticipated percentage increase change in elderly population in a state and innovative decision-making and planning underway to prepare for the aging of the baby boomers. In essence, those states which will undergo the most drastic increases in elderly population, are being least innovative in planning and aging policy development. This is completely opposite the anticipated relationship stated in the hypotheses.

Finally, in reviewing the organizational factors, both are significant, with collaboration  $> .99$ , and in the anticipated direction. However, the bureaucratic structure variable appears to be the reverse of the anticipated relationship stated in the hypotheses. The hypothesis suggests that in the states where there is a cabinet department of elder affairs, then the aging agenda is higher on the governor’s agenda. Also, it is proposed that if there is a separate department of elder affairs, then the “aging issue” has more visibility. It is possible that planning for the 21st century would be more innovative if there is a department of elder affairs than if aging issues are handled by an office within the governor’s office; is a separate office, but without cabinet status; or is a division or bureau under a department of social services or human services.

This finding indicates that this hypothesis is incorrect, and that there is an inverse relationship between bureaucratic structure and innovative decision-making processes. Two possible explanations for this inverse relationship is that if a state has a cabinet level department of elder affairs<sup>13</sup> then it more than likely has a substantial number of elderly currently. It is possible that such departments are invested in serving their current elderly constituents and, thus, have not been concerned with the future elderly. Also, perhaps, when there is a single department of elder affairs, then all of the aging policy development function is delegated to that department, with a very professional bureaucracy serving the needs of elders. This kind of finding based on this second rationale, is similar to that of Peterson et al. (1986), in which they found that a professionalized bureaucracy was less likely to change and/or adopt reforms. Regardless, this finding supports the hypothesis that collaboration and cooperative work environments instill more innovative decision-making and long range planning.

Model #6 appears to be the best estimator for OLS.<sup>14</sup> However, it is now critical to validate this model to determine if it is *BLUE*. As stated previously, there are a variety of

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<sup>13</sup> There are ten states which have department level status for aging/elder affairs at the time of the survey: Alabama, Florida, Illinois, Kansas, Maryland, Massachusetts, Nebraska, Ohio, Pennsylvania, and Rhode Island.

<sup>14</sup> The construction of the dependent variable was also tested in this model. As discussed in length in chapter three, this dependent variable is constructed as an innovation index utilizing three separate questions from the survey. It is suggested that this "innovation index" is measuring the three components of innovative decision-making processes—capacity, policy communities/planning, and innovative strategies. The correlation between the "innovation index" and the three questions is obviously significant, given that the index was constructed from the questions.

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## Correlations for Index

	INDEX	Innovative	Planning	Capacity
INDEX	1.0000			
Innovative	0.8055	1.0000		
Planning	0.7265	0.4451	1.0000	
Capacity	0.6470	0.3055	0.1336	1.0000

Each question is estimated separately as the dependent variable to determine if any single question would be a stronger measure of innovation and reflect a better "goodness of fit" given the independent factors. The "index" appears to have the best "fit".

## Question 1: innovative strategies:

regress var31\_1 pctc9520 percapi demgov unified orgstruc var20\_1

Source	SS	df	MS	Number of obs = 35		
Model	6.32714979	6	1.05452497	F( 6, 28) = 6.70		
Residual	4.40685023	28	.157387508	Prob > F = 0.0002		
Total	10.734	34	.315705883	R-squared = 0.5894		
				Adj R-squared = 0.5015		
				Root MSE = .39672		

var31_1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.0093406	.0029234	-3.195	0.003	-.0153289	-.0033523
percapi	.0000317	.0000247	1.286	0.209	-.0000188	.0000823
demgov	-.0242271	.0170479	-1.421	0.166	-.0591482	.0106941
unified	.0499954	.0171106	2.922	0.007	.0149458	.0850449
orgstruc	-.1477307	.051622	-2.862	0.008	-.2534735	-.0419878
var20_1	.352047	.1138045	3.093	0.004	.118929	.585165
_cons	1.37827	.5788638	2.381	0.024	.1925211	2.564019

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Question 2: planning underway:

regress var34\_1 pctc9520 percapin demgov unified orgstruc var20\_1

Source	SS	df	MS	Number of obs = 35		
Model	4.75685322	6	.79280887	F( 6, 28) = 4.00		
Residual	5.55267064	28	.198309666	Prob > F = 0.0052		
Total	10.3095239	34	.30322129	R-squared = 0.4614		
				Adj R-squared = 0.3460		
				Root MSE = .44532		
var34_1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	.0015653	.0032815	0.477	0.637	-.0051566	.0082872
percapin	.0000479	.0000277	1.730	0.095	-8.81e-06	.0001047
demgov	-.0556743	.0191363	-2.909	0.007	-.0948733	-.0164753
unified	.0362248	.0192067	1.886	0.070	-.0031183	.075568
orgstruc	.0427677	.0579458	0.738	0.467	-.0759288	.1614642
var20_1	.4113886	.1277457	3.220	0.003	.1497134	.6730639
_cons	.2862711	.6497753	0.441	0.663	-1.044733	1.617276

Question 3: policy capacity:

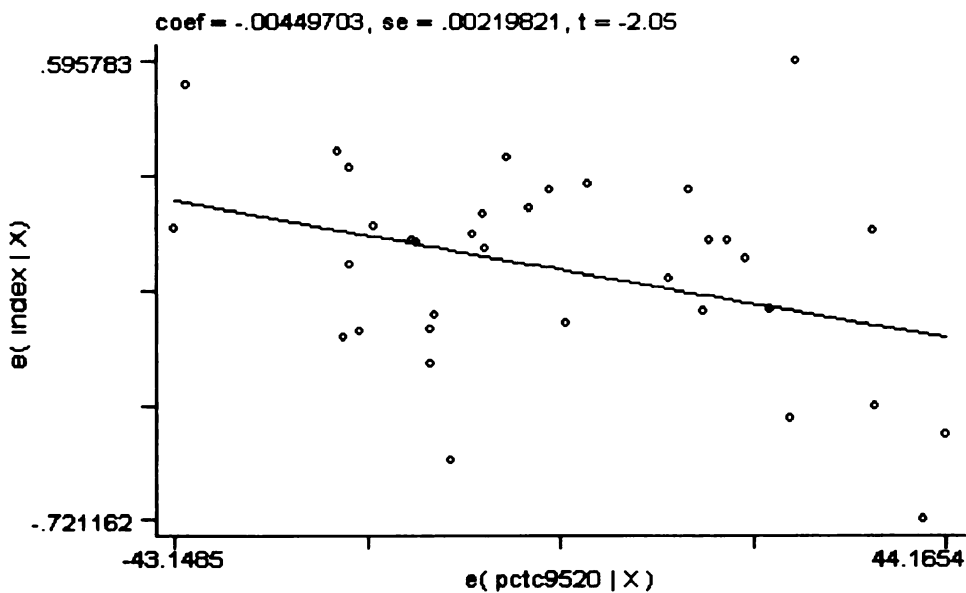
regress gen3a\_1 pctc9520 percapin demgov unified orgstruc var20\_1

Source	SS	df	MS	Number of obs = 35		
Model	3.40605894	6	.56767649	F( 6, 28) = 2.25		
Residual	7.06050854	28	.252161019	Prob > F = 0.0674		
Total	10.4665675	34	.30784022	R-squared = 0.3254		
				Adj R-squared = 0.1809		
				Root MSE = .50216		
gen3a_1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.005739	.0037003	-1.551	0.132	-.0133187	.0018408
percapin	.0000604	.0000312	1.934	0.063	-3.57e-06	.0001244
demgov	-.0022609	.0215787	-0.105	0.917	-.0464629	.0419411
unified	.0009501	.0216581	0.044	0.965	-.0434144	.0453147
orgstruc	-.1717628	.0653414	-2.629	0.014	-.3056087	-.037917
var20_1	.1931874	.1440501	1.341	0.191	-.1018858	.4882606
_cons	.7830445	.7327069	1.069	0.294	-.7178374	2.283926

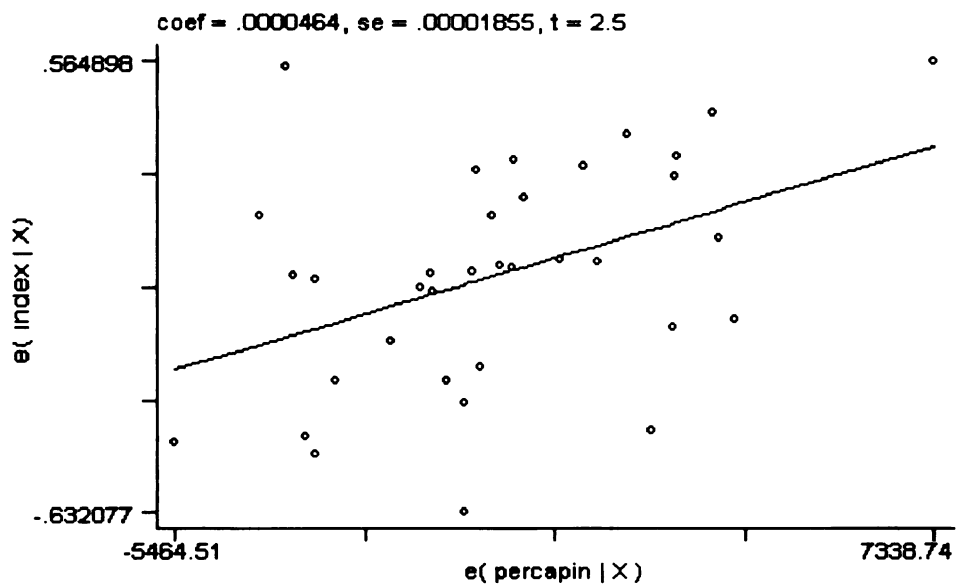
diagnostic tests to perform which will assist in making this determination, and possibly result in a better theoretical and empirical model.

### Validating The Model

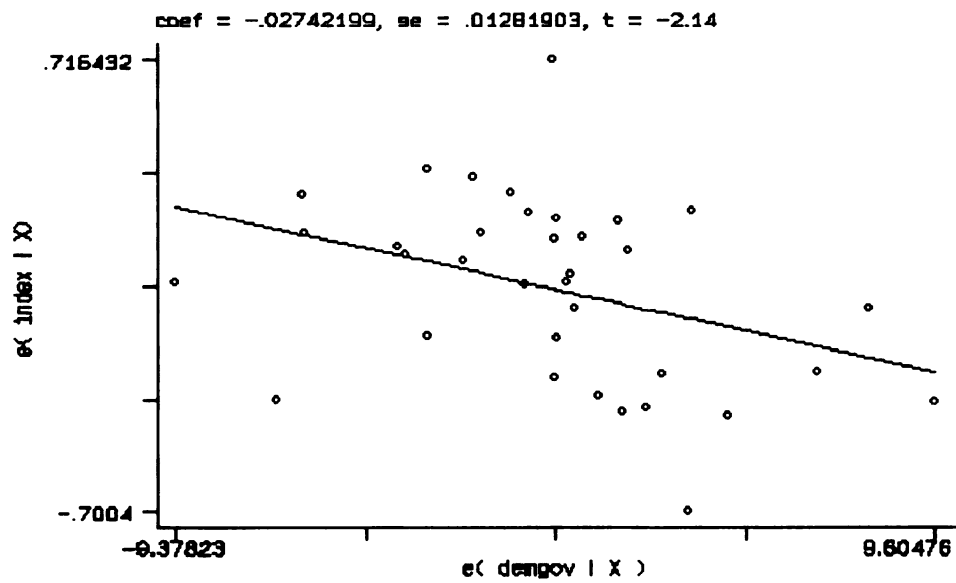
The first basic assumption of regression analysis is that the model is specified correctly. Specification relates to three conditions: (1) the model is of the correct functional form; (2) the error terms in the model are normally distributed; and (3) that the model does not suffer from omitted variable bias. With a visual inspection of scatterplots of the relationship between the independent and dependent variables, X and Y, the researcher can quickly determine if the relationship is linear. See Figures 11a-f below:



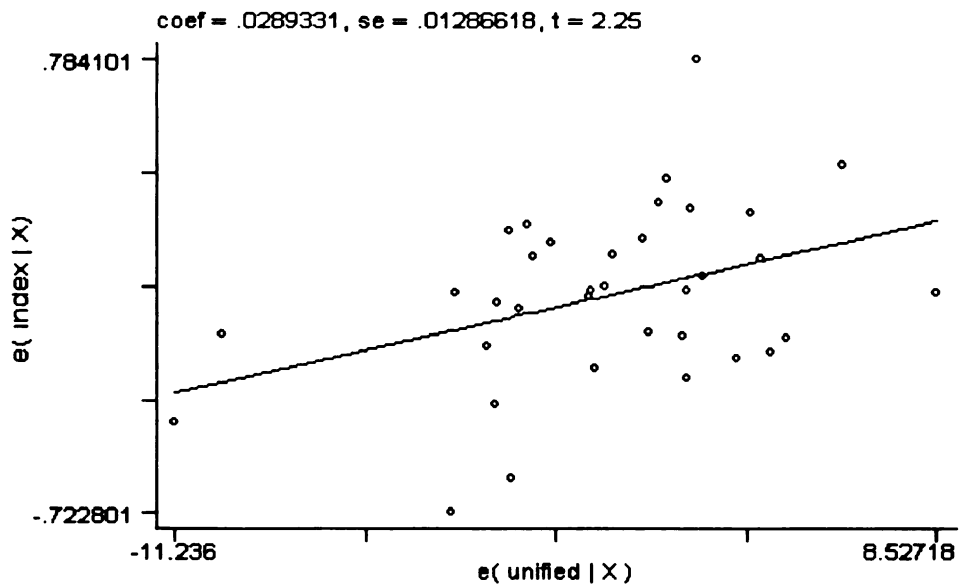
**Figure 11a-** Plot of Relationship Between Independent Variable “pctc9520” and Index



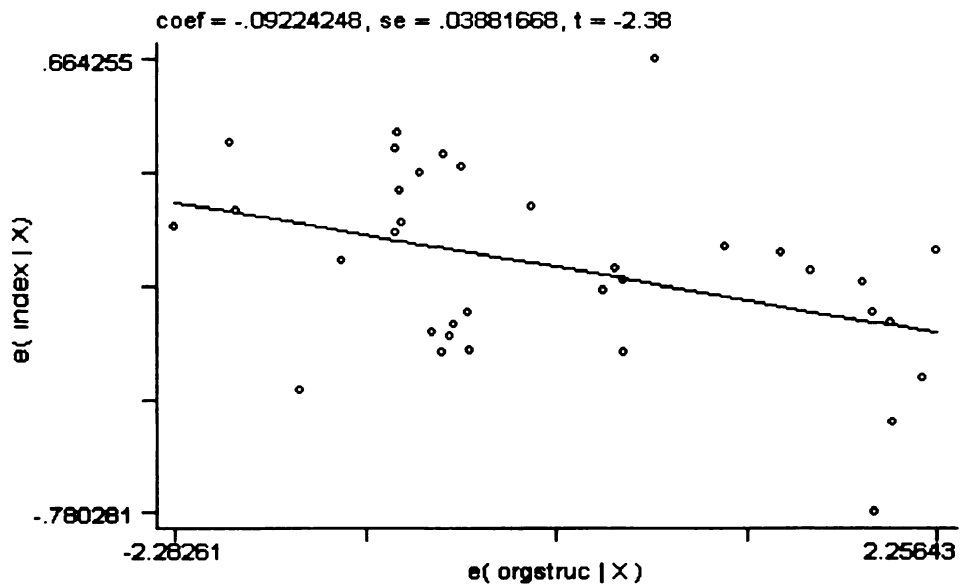
**Figure 11b-** Plot of Relationship Between Independent Variable “percapi” and Index



**Figure 11c-** Plot of Relationship Between Independent Variable “demgov” and Index



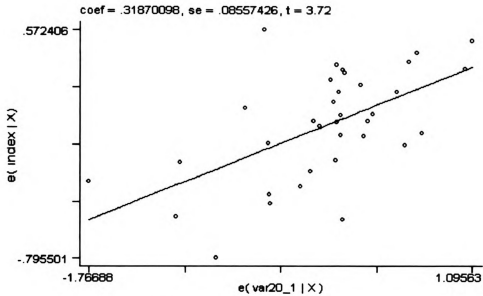
**Figure 11d-** Plot of Relationship Between Independent Variable “unified” and Index



**Figure 11e-** Plot of Relationship Between Independent Variable “orgstruc” and Index

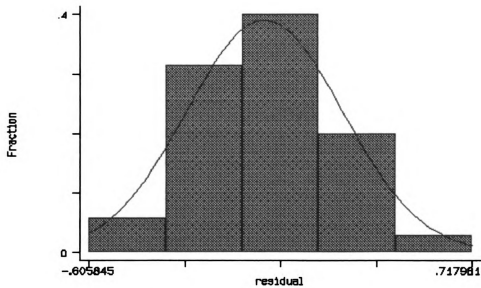




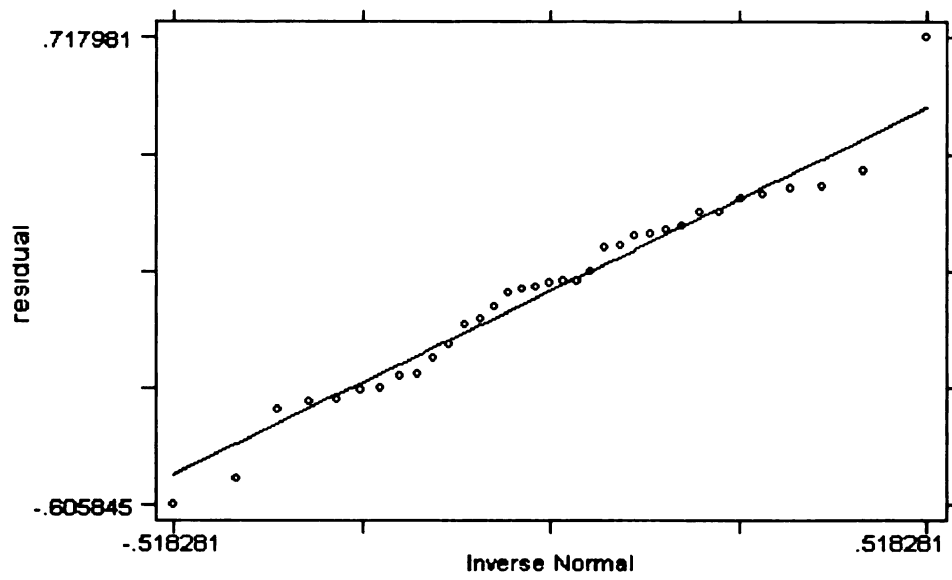
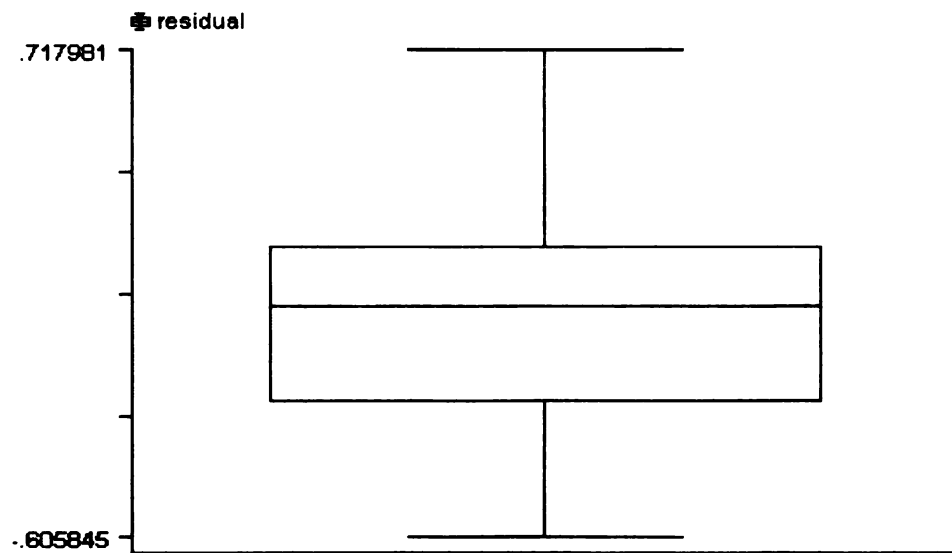


**Figure 11f-** Plot of Relationship Between Independent Variable “var20\_1” and Index

A visual inspection of a histogram, boxplot or quantile-normal plot will indicate if the residuals are normally distributed. See Figure 12, 13 and 14.



**Figure 12—**Histogram of residuals

**Figure 13—Quantile Norm of Residuals****Figure 14—Boxplot of Residuals**

One of the most common specification errors is a model with omitted variables. Omitted variables particularly damage causal interpretations and can result in the relationship between X and Y to be substantially overstated or understated. “When a relevant variable is omitted and it is correlated with one of the variables in the model, the residual of the misspecified model picks up the omitted variables influence” (Granato, 1991:131). One way to test for this specification error is the RESET test (Ramsey, 1969).<sup>15</sup> The  $H_0$  = model has no omitted variables. Using “ovtest” function on STATA, the Ramsey RESET test is run with the following results:

using fitted values of index

$F(3, 25) = 0.57$   
 $\text{Prob} > F = 0.6431$

Given these results, I can accept the null hypothesis that there are no omitted variables in the model. Also, due to the visual review of the graphs and plots, I can assume that the regression model #6 is specified correctly.

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<sup>15</sup> Ramsey has proposed a general test of specification error called RESET (regression specification error test). RESET tests are used to test whether unknown variables have been omitted from a regression specification, and are not to be confused with OV tests that test for zero coefficients on known variables. They can also be used to detect a misspecified functional form. Although the RESET test was designed to be used to test for missing regressors, it turns out to be powerful for detecting nonlinearities. This weakens its overall attractiveness, since rejection of a model could be due to either a nonlinearity or an omitted explanatory variable. (No test can discriminate between unknown omitted variables and unknown functional form; a strong case can be made that the RESET test can only test for functional form.) (Kennedy, 1992).

The next diagnostic test to run is to check the explanatory variables for evidence of multicollinearity. The most commonly used procedure to detect collinearity is an examination of the correlation matrix (Granato, 1991:132).

**Table 11—Correlation Matrix**

	Pctc9520	percapin	dcmgov	unified	orgstruc	var20_1
pctc9520	1.000					
percapin	-0.0235	1.000				
dcmgov	0.2664	0.1628	1.000			
unified	0.1014	-0.0327	0.3410	1.000		
orgstruc	-0.1218	0.0467	-0.0120	-0.0963	1.000	
var20_1	-0.0230	-0.0592	-0.0730	0.0756	0.0645	1.000

In reviewing this table, it does not appear that there is a multicollinearity problem. However, a more rigorous test for multicollinearity is to regress each of the independent variables on the remaining independent variables. If the  $R^2$  is higher in any of these “restricted models” as compared with the original model<sup>16</sup>, then there is evidence of multicollinearity and the model should be adjusted.

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<sup>16</sup> For the purposes of this dissertation, the original model being referred to in this statement is model #6.

**Table 12—Validity Test for Multicollinearity**

regress pctc9520 percapi demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	1797.24104	5	359.448209	F ( 5, 29) = 0.57		
Residual	18416.0904	29	635.037599	Prob > F = 0.7252		
				R-squared = 0.0889		
				Adj R-squared = -0.0682		
Total	20213.3314	34	594.509747	Root MSE = 25.20		
pctc9520	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
percapi	-.0005491	.0015641	-0.351	0.728	-.003748	.0026497
demgov	1.506604	1.046131	1.440	0.161	-.6329745	3.646183
unified	-.0378712	1.086855	-0.035	0.972	-2.260739	2.184997
orgstruc	-2.117134	3.255407	-0.650	0.521	-8.77519	4.540921
var20_1	.0633217	7.228923	0.009	0.993	-14.72149	14.84813
_cons	59.22424	35.08658	1.688	0.102	-12.53586	130.9844

regress percapi pctc9520 demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	11507799.9	5	2301559.97	F( 5, 29) = 0.26		
Residual	258497074	29	8913692.20	Prob > F = 0.9321		
				R-squared = 0.0426		
				Adj R-squared = -0.1224		
Total	270004874	34	7941319.81	Root MSE = 2985.6		
percapi	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-7.707957	21.95377	-0.351	0.728	-52.60845	37.19253
demgov	131.0565	125.9674	1.040	0.307	-126.5756	388.6887
unified	-59.56966	128.2925	-0.464	0.646	-321.9574	202.818
orgstruc	73.54359	388.2487	0.189	0.851	-720.5142	867.6013
var20_1	-190.0193	855.7253	-0.222	0.826	-1940.174	1560.136
_cons	19513.18	2418.212	8.069	0.000	14567.39	24458.98

Table 12 (cont'd)

regress demgov percapin pctc9520 unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	145.150547	5	29.0301095	F( 5, 29) = 1.55		
Residual	541.535167	29	18.6736264	Prob > F = 0.2042		
Total	686.685714	34	20.1966387	R-squared = 0.2114		
				Adj R-squared = 0.0754		
				Root MSE = 4.3213		
demgov	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pcapin	.0002746	.0002639	1.040	0.307	-.0002652	.0008143
pctc9520	.0443025	.0307621	1.440	0.161	-.018613	.107218
unified	.3487433	.1747656	1.995	0.055	-.0086924	.706179
orgstruc	.1572337	.5615362	0.280	0.781	-.9912368	1.305704
var20_1	-.6354828	1.233991	-0.515	0.610	-3.159278	1.888312
_cons	1.7376	6.297037	0.276	0.785	-11.14129	14.61649

regress unified demgov percapin pctc9520 orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	89.3976625	5	17.8795325	F( 5, 29) = 0.96		
Residual	537.573766	29	18.5370264	Prob > F = 0.4556		
Total	626.971429	34	18.4403361	R-squared = 0.1426		
				Adj R-squared = -0.0052		
				Root MSE = 4.3055		
unified	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
demgov	.3461922	.1734871	1.995	0.055	-.0086288	.7010132
pcapin	-.0001239	.0002668	-0.464	0.646	-.0006695	.0004218
pctc9520	-.0011055	.0317258	-0.035	0.972	-.065992	.063781
orgstruc	-.3065213	.5573354	-0.550	0.587	-1.4464	.8333574
var20_1	.7331545	1.227552	0.597	0.555	-1.777471	3.24378
_cons	-.4619694	6.281608	-0.074	0.942	-13.3093	12.38536

Table 12 (cont'd)

regress orgstruc unified demgov percapin pctc9520 var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	1.91045696	5	.382091391	F( 5, 29) = 0.19		
Residual	59.0609716	29	2.03658523	Prob > F = 0.9650		
				R-squared = 0.0313		
				Adj R-squared = -0.1357		
Total	60.9714286	34	1.79327731	Root MSE = 1.4271		
orgstruc	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
unified	-.0336762	.0612321	-0.550	0.587	-.1589099	.0915575
demgov	.0171482	.0612423	0.280	0.781	-.1081064	.1424029
percapin	.0000168	.0000887	0.189	0.851	-.0001646	.0001982
pctc9520	-.0067897	.0104402	-0.650	0.521	-.0281423	.0145629
var20_1	.168512	.4081815	0.413	0.683	-.6663129	1.003337
_cons	1.446268	2.064905	0.700	0.489	-2.776937	5.669472

regress var20_1 orgstruc unified demgov percapin pctc9520						
Source	SS	df	MS	Number of obs = 35		
Model	.298872511	5	.059774502	F( 5, 29) = 0.14		
Residual	12.1520917	29	.419037645	Prob > F = 0.9807		
				R-squared = 0.0240		
				Adj R-squared = -0.1443		
Total	12.4509642	34	.36620483	Root MSE = .64733		
var20_1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
orgstruc	.0346722	.0839854	0.413	0.683	-.1370972	.2064416
unified	.0165733	.0277494	0.597	0.555	-.0401805	.0733271
demgov	-.0142603	.0276909	-0.515	0.610	-.0708944	.0423739
percapin	-8.93e-06	.0000402	-0.222	0.826	-.0000912	.0000733
pctc9520	.0000418	.0047701	0.009	0.993	-.0097142	.0097977
_cons	2.119833	.858598	2.469	0.020	.3638025	3.875863

In reviewing the  $R^2$ s of these “restricted models”, it is clear that there is no evidence of multicollinearity. The model need not be adjusted for this reason.

The third test to be performed on this regression model is for heteroskedascity. Heteroskedascity is a violation of one of the basic assumptions of OLS, and indicates that the variance of the disturbance terms is not constant. The points in a regression are suppose to “snuggle in a band of equal width above and below the regression line” (Lewis-Beck, 1980:28). Evaluating if the model suffers from heteroskedascity, the researcher can do a visual inspection of the plot to determine if the points tend to fan in or out, thus indicating heteroskedascity. In reviewing Figure 12, it does not appear that this model suffers from heteroskedascity. However, an additional diagnostic test can be run to determine if the problem exists.

Using “hettest” function of STATA, the White test<sup>17</sup> is performed on the model. The White test uses a chi-square distribution. The  $H_0$  = Constant variance. The following are the results:

Cook-Weisberg test for heteroskedascity using fitted values of index:

chi2(1) = 3.00

Prob > chi2 = 0.0832

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<sup>17</sup> Unlike the Goldfeld-Quandt test, which requires reordering the observations with respect to the X variable that supposedly caused heteroskedasticity, or the BGP test, which is sensitive to the normality assumption, the general test of heteroskedasticity proposed by White does not rely on the normality assumption and is easy to implement. This test examines whether the error variance is affected by any of the regressors, their squares or their cross-products. The strength of this test is that it tests specifically for whether or not any heteroskedasticity present causes the variance-covariance matrix of the OLS estimator to differ from its usual formula. (Gujarati, 1995; Kennedy, 1992).



Given that the  $p > .05$ , I can accept the null hypothesis that the error terms have constant variance, and therefore determine that the model does not suffer from heteroskedascity.

Residual autocorrelation often plagues time series data. The causes of serial correlation can be attributed to the result of a random shock, which has continuing influence, or inertia, reflecting a slow response time to policy changes. If there is evidence of serial correlation, then the model is inefficient. The data used for this dissertation is not time series data, but cross sectional data. Therefore the check of the data is not one for serial correlation, which reflects this time factor, but of spacial correlation. Spacial correlation means that one grouping of data points are affected by another. The Durbin-Watson statistic<sup>18</sup> can be used to determine first order serial correlation or spacial correlation.

Prior to getting a Durbin-Watson statistic for the regression model, it is necessary to regroup the data according to region. The data is currently sorted in alphabetical order, and therefore if it were not sorted appropriately by region, then the Durbin-Watson

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<sup>18</sup> The Durbin-Watson statistic is a statistical test of the null hypothesis that the successive error terms are uncorrelated, that  $r=0$ . If the serial correlation parameter  $r=0$  then  $d=2$ , and we can be assured that there is no serial or spacial correlation. The further away  $d$  is from 2, then the less confident we can be that our model contains no first order correlation. If  $d>2$  then you have negative correlation. If  $d < 2$  then you have positive correlation. There is an upper and lower band for the  $d$  statistic, with the critical values calculated and interpreted depending on sample size. "Thus, for a given data set and model to be estimated, if the value of the Durbin-Watson statistic is greater than this upper bound for a specified confidence level, we shall not reject the null hypothesis of no serial correlation. Likewise, if the value of the  $d$ -statistic is less than the lower bound, we shall reject this hypothesis and proceed to use generalized least squares. If the value falls between the lower and upper bounds, we are uncertain whether to accept or reject the null hypothesis" (Hanushek and Jackson, 1977: 165).

statistic would simply be measuring the relationship between states that begin with the letter “A” as compared to those that begin with “B”, etc. The data is sorted in accordance with the eight census bureau regions, and then the model is tested for spacial correlation. The Durbin-Watson statistic is 2.31640, which is greater than the upper bound of the d-statistic (1.77), and close to “2.”<sup>19</sup> Thus, I can accept the null hypothesis that the data does not suffer from spacial correlation.

Seemingly, Model #6 has been validated as “*BEST*.” However, it is important to do one final evaluation on the model to review the implications of outliers. Outliers affect OLS slopes, standard errors, hypothesis tests,  $R^2$ , and other statistics. OLS is not robust in that a single case can have an arbitrarily large impact on sample estimates. Robust regression is designed to perform well under a broader range of conditions than OLS. Robust and OLS regressions complement each other in that discrepancies between OLS and robust results reveal the effects of outliers and warn that OLS may be untrustworthy (Hamilton, 1992: 200). OLS is simpler and preferable to robust regression, if both models produce the same results. Coefficients of OLS and robust regression are evaluated to check whether any of the OLS coefficients are more than one (robust) standard error from the corresponding robust coefficient (Hamilton, 1992: 200). Robust findings can be used to confirm the validity of OLS. The following table shows the comparison between OLS and Robust regression

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<sup>19</sup> In accordance to the critical value table for the Durbin-Watson Test for Autocorrelation  $P = .05$ , (Harvey, 1991:362) the upper bound d statistic is 1.80, given sample size of 35 and six degrees of freedom.

**Table 13--Comparison of OLS and Robust Regression**

OLS Regression						
fit index pctc9520 percapin demgov unified orgstruc var20_1						
Source	SS	df	MS	Number of obs = 35		
Model	3.41185674	6	.56864279	F( 6, 28) = 6.39		
Residual	2.49169766	28	.088989202	Prob > F = 0.0003		
				R-squared = 0.5779		
				Adj R-squared = 0.4875		
Total	5.9035544	34	.173633953	Root MSE = .29831		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.004497	.0021982	-2.046	0.050	-.0089999	5.81e-06
percapin	.0000464	.0000186	2.501	0.019	8.39e-06	.0000844
demgov	-.027422	.012819	-2.139	0.041	-.0536806	-.0011634
unified	.0289331	.0128662	2.249	0.033	.0025779	.0552883
orgstruc	-.0922425	.0388167	-2.376	0.025	-.1717548	-.0127301
var20_1	.318701	.0855743	3.724	0.001	.1434101	.4939919
_cons	.8216884	.4352712	1.888	0.069	-.0699243	1.713301
Robust Regression						
rreg index pctc9520 percapin demgov unified orgstruc var20_1						
Huber iteration 1: maximum difference in weights = .45270417						
Huber iteration 2: maximum difference in weights = .12480343						
Huber iteration 3: maximum difference in weights = .11172285						
Huber iteration 4: maximum difference in weights = .01895246						
Biweight iteration 5: maximum difference in weights = .16872751						
Biweight iteration 6: maximum difference in weights = .02826756						
Biweight iteration 7: maximum difference in weights = .02363256						
Biweight iteration 8: maximum difference in weights = .008426						
Robust regression estimates				Number of obs = 35		
				F( 6, 28) = 6.69		
				Prob > F = 0.0002		
index	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
pctc9520	-.0049412	.0022466	-2.199	0.036	-.0095432	-.0003392
percapin	.000058	.000019	3.056	0.005	.0000191	.0000968
demgov	-.0285632	.0131013	-2.180	0.038	-.0554	-.0017264
unified	.0229314	.0131495	1.744	0.092	-.0040041	.0498669
orgstruc	-.0913406	.0396714	-2.302	0.029	-.1726039	-.0100774
var20_1	.3297427	.0874586	3.770	0.001	.1505919	.5088936
_cons	.6088476	.4448559	1.369	0.182	-.3023985	1.520094

There is little difference in the standard errors of these two regression equations, suggesting that the robust estimates validate the OLS regression model. OLS passes this diagnostic check. Thus, our confidence in the conclusions we can draw from this model is enhanced, as is the story we can tell regarding innovative decision making processes in states as they prepare for the aging of the baby boomers.

### **Summary**

In essence, some of the initially hypothesized relationships have been shown to be relevant while others have been found inconsequential or simply wrong. The first of the two hypotheses states that there is a positive relationship between a variety of demographic, socioeconomic and political factors and innovative decision-making and long-range planning for the aging of America.

H<sub>1</sub>: States which have a significant number of older citizens currently, or anticipate notable growth in the number of elderly; are larger, wealthier states; are politically liberal; and have a unified political base between the executive and legislative branches will be more likely to actively engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

Through this aggregate analysis, I can conclude the following regarding this hypothesis. Similar to the findings articulated in the Lammers and Klingman study (1984), the current number of elderly in a state is not significant in projecting the level of aging policy innovation in that state. However, my findings indicate that there is a strong, statistically significant ( $p > .05$ ) negative relationship between states that will undergo the largest growth in

the percent of elderly in their state and innovative decision-making and long-range planning. This suggests that these states will be least prepared for the aging of America.

Secondly, there is a statistically significant ( $p > .01$ ) positive relationship between wealth, as defined by per capita income, and innovative decision-making and long-range planning underway in states for the aging of baby boomers. This finding confirms the study of Walker (1969) and Savage (1978) regarding the positive relationship between wealthy states (sophistication and education) and innovation. However, size of state had no bearing on the innovative decision-making processes within a state, as it did on the diffusion of innovation.

Lastly, on the political front, this model suggests that the hypothesis regarding political liberalism and innovation is not correct. There is a statistically significant ( $p > .05$ ) negative relationship between states which consistently have Democratic executive leadership and innovative planning and decision-making processes. It is arguable that this variable is not a measure of political liberalism,<sup>20</sup> but at minimal we can say that there appears to be an inverse relationship between Democratically controlled executive offices and innovative decision-making. I suggest that this variable is being unduly influenced by the southern states phenomenon, and that further research is necessary to determine the relationship between ideology<sup>21</sup> and partisanship on state policy innovation. As anticipated, there is a statistically relevant ( $p > .05$ ) positive relationship between unified party control of the executive and the legislature and innovative decision-making and long-range planning.

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<sup>20</sup> See Wright, Erikson and McIver (1985).

<sup>21</sup> The Wright, Erikson and McIver ideology scale was incorporated into the model and run as a test to an alternative measure of ideology, and it proved as an insignificant variable.

Findings regarding the second hypothesis are very interesting, and possibly most significant,<sup>22</sup> when considering the potential for adding to the political science discourse about policy development and innovation.

H<sub>2</sub>: States in which an aging agenda is visible, and/or with governance structures that provide for and encourage interagency collaboration on the state level will be more likely to actively engage in long-range planning for the aging of the baby boom population and be better prepared to develop innovative strategies regarding the aging of America.

The strongest individual independent variable in the OLS model in explaining and predicting innovative decision-making processes in states regarding the preparation for the aging of America is the level of collaboration. A more cooperative work environment and more opportunity for collaboration among state agencies is related to more innovative decision-making and long range planning. Although a positive relationship was initially hypothesized between bureaucratic structure (cabinet level department status) and innovation, the finding that this relationship is a negative one actually buttresses the finding regarding collaboration. If aging issues are delegated to a single department, then it appears that there is less long range planning and policy innovation. Possibly, other agencies do not feel responsible nor a need to involve themselves in the exploring aging issues, because there is a “place” in charge of those matters.

This finding regarding collaboration significantly adds to the story which can be told about innovative planning and aging policy development in states. This finding challenges the

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<sup>22</sup> See Edward E. Leamer article “Sensitivity Analyses Would Help” (1985) for a discussion about “important” and “doubtful” categorization of variables.

conflict-resolution model advanced by Baumgartner and Jones (1993), and thus, merits a closer look. The following chapters highlight the responses from a follow-up interview with four states and discusses the elements of collaboration. The states of California, Indiana, South Carolina, and Vermont have been identified as outlier states in this aggregate analysis. (See Figure 15.) The states of Vermont and Indiana have been both collaborative and innovative in their plans for the changing demographics of the 21st Century, whereas both California and South Carolina have been neither collaborative nor innovative in their efforts.

## **Chapter 5**

### **A COMPARATIVE REVIEW OF FOUR STATES: WHAT MAKES A MAVERICK INNOVATOR?**

*"Case studies are ideal in assisting political scientists in understanding complex social and political phenomenon, and are a preferred research method when examining contemporary events in which behaviors of individuals cannot be manipulated."*

*Robert Yin,  
Case Study Research Design and Methods, 1984*

#### **Introduction**

This quantitative analysis of innovative processes which stimulate policy development and policy change is different than most of the previous innovation studies. As already stated, most of the innovation research has been variance studies, using regression analysis to statistically explain the rate of adoption of a certain law or policy. Virginia Gray (in Dodd and Jilson, 1994), specifically called for the focus of innovation studies to become more process oriented, and she suggested using the case study research in the agenda formation literature as a beginning point for studying innovative processes. Gray proposed exploring the same factors in the agenda literature as done in this dissertation—institutional capacity, policy entrepreneurs and policy networks or policy communities (Gray, 1994). She argued that the capacity of governmental institutions account for differences in innovativeness, and that understanding the



state processes that lead to a certain policy would assist researchers in explaining differences in state level innovation. (Gray, in Dodd and Jilson, 1994:234).

The aggregate analysis identified collaboration and cooperative work environments as critical variables in explaining and predicting the level of innovative decision-making processes underway in states as they plan for the shifting demographics of the 21st Century. In depth research was conducted in order to more fully understand these processes and the impact of collaboration on innovative decision-making and long-range planning.

Case studies can be used to test individual, organizational or social theories. Yin suggested that case studies contribute uniquely to our knowledge of individual, organizational, social and political phenomena. Case studies, in particular, are used regularly in public policy analysis to gain insights into specific events or happenings. Lowi argued that case studies of the policy-making process constitute one of the more important methods of political science analysis (Lowi, 1964) and Eckstein suggested that case studies are particularly valuable in the theory-building process (Eckstein, in Greenstein and Polsby, 1975).

Often, dissertations involve an intensive single case study or a comparative case study comprised of two or more cases. It is arguable, that only through a case study approach can researchers become familiar with the actors, processes, and issues central to policy making in the field (Downs, 1976). Case studies designed as "comparative studies" arguably have certain intrinsic advantages when compared to the single case study or to "large-N" statistical analysis (Lijphart, 1975:165). Relying on a comparative case study framework the influence of collaboration on state innovative decision-making processes in four states is explored. The

same types of factors examined in the agenda formation case study literature is pursued in this analysis--institutional capacity; the role of policy/political entrepreneurs; and, the importance of policy networks or policy communities.

### **Selecting the States**

The aggregate analysis showed that collaboration was the critical variable in determining innovative decision-making. In order to explore this dimension of innovation deeper, it was important that states be selected which varied in their level of collaboration and innovation. Some states are historically noted as "innovative." To accurately evaluate the influence of collaboration, it was important to select states that were not typical "innovators." Based on the regression analysis, four "outlier" states were chosen for further review. These states fell outside of the "norm" of the regression line, in that they were extraordinarily innovative and collaborative, or they were not innovative and they reportedly did not have a high level of interagency collaboration.

There is a cluster of states at the top end of the graph reflecting the most innovative and most collaborative states (See Figure 15.) These are the states of Indiana(14), Vermont(45), Minnesota(23), Michigan(22) and New Jersey(30). It is not surprising to find the states of Michigan, Minnesota and New Jersey at the top end of the innovation index. These states have historically been viewed as innovative. However, it is surprising to see both Indiana and Vermont as leaders in innovation.<sup>23</sup>

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<sup>23</sup> See Virginia Gray chapter in Dodd and Jilson, where she reviews the innovation diffusion literature and outlines the historical findings regarding state innovation.



**Figure 15 – Interagency Collaboration and the Innovation Index**

At the bottom end of the graph, there is also a cluster of states reflecting a lack of innovation and long range planning. These states are Mississippi (24), California (5) and South Carolina (40). It is expected that Mississippi and South Carolina would be less innovative,<sup>24</sup> but it is surprising to find California, historically a leader in innovation, at the bottom of the scale.

The states of California, Indiana, South Carolina, and Vermont were chosen as a part of the interview protocol. (See Appendix C.) The states of Vermont and Indiana were chosen because they are typically not viewed as innovative states, yet in this survey, they were at the high end of the scale, reflecting both high levels of innovation and collaboration. The state of

<sup>24</sup> Virginia Gray argues that moralistic states engage in the most innovation, and traditionalistic states the least (Gray, in Dodd and Jilson, 1994). The states in the deep South, in particular, have been slow to innovate. This is also discussed in length by V.O. Key in Politics, Parties and Pressure Groups and Southern Politics.

California, a historically innovative state, scored low on both innovation and collaboration. The states of South Carolina and Mississippi, southern states, are typically low innovative states. However, for the purposes of this comparative analysis, South Carolina was chosen to be part of the study because of the potential demographic implications for the state given the aging of the baby boomers. South Carolina is viewed as a retirement and resort area.

**Table 14**  
**State by State Comparisons of Selected Variables**

	<b>CALIFORNIA</b>	<b>INDIANA</b>	<b>SOUTH CAROLINA</b>	<b>VERMONT</b>
<b>1995 Population (in millions)</b>	32.4	5.8	3.7	0.6
<b>% 65+ in 1995</b>	10.6%	12.8%	11.9%	12.1%
<b>% 65+ in 2020</b>	13.8%	16.2%	16.8%	16.7%
<b>% Change in 65+ 1995-2020</b>	93.5%	40.5%	77.3%	57.1%
<b>Per Capita Income</b>	\$ 21,821	\$ 19,203	\$ 16,923	\$ 19,467
<b>Urbanization</b>	92.6%	64.9%	54.6%	32.2%
<b>% AARP Membership</b>	40.2%	47.9%	44.8%	65.0%
<b>General Fund Budget (in billions)</b>	\$ 39.0	\$ 6.9	\$ 4.2	\$ 0.7

Source for population figures, per capita income and urbanization; U.S. Bureau of the Census; Source for % AARP membership, *The State Economic, Demographic and Fiscal Handbook*, 1995: published by AARP Public Policy Institute; Source for General Fund Budget, *The Fiscal Survey of States*, National Association of State Budget Officers

The diversity of these states provided for a rich comparative review. (See Table 14). The states varied demographically, socio-economically, politically and organizationally. They are regionally balanced. They allow for an analysis of the importance of big state/small state and urban/rural differences. Their resource capacity, both financially and organizationally, was significantly different. Their state political culture and ideological history varied. There was much difference between these states, but at the same time there are similarities in the level of innovative decision-making processes and the importance of interagency-collaboration. According to the survey information, Vermont and Indiana, have active collaborative processes in place and are planning for the aging of the baby boomers; while California and South Carolina, do not have these cooperative work systems in place and are not doing long-range planning for these shifting demographics. However, given the potential impending crisis of the shifting demographics in this country, the aging of the baby boomers should be of the same political and public policy concern among state leaders, policymakers and public administrators in all four states.

### **State Profiles**

#### **California:**

California is the largest state in the nation with a population of 32.4 million people.<sup>25</sup> California, being a large coastal/border state, is a main attraction point for immigration, particularly from Asian countries, as well as from Mexico. California is expected to experience

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<sup>25</sup> Based on the 1995 population estimates from the Census Bureau.

significant growth in population over the next twenty-five years. With a projected total population increase of approximately 48%, California will be home to a total of 48 million people by the year 2020. The ethnic and cultural diversity within the state is also expected to increase substantially.

In 1995, approximately 10.6% of California's population was over the age of sixty-five. In comparison to Florida and several other eastern or midwestern states, this percentage of elderly does not seem excessive. However, California has the largest number of older Americans living within its borders. There are 3.4 million persons over the age of sixty-five living in California. Between 1995 and 2020, it is anticipated that the number of older Americans living in the state will increase by 93.5%, resulting in 13.8% of its' population over the age of sixty-five.

Approximately 92.6% of the state's population lives in a metropolitan area. The percapita income is \$21,821. The overall poverty rate in the state is 15.8%. The elderly fare much better, with only 7.6% of those over age sixty-five living in poverty. The state's general fund budget was \$ 39 billion for fiscal year 1995. The appropriation of state dollars to the aging office in 1995 was \$ 4.9 million, with most financial support for older Californians coming from the federal government--Medicaid, the Social Services Block Grants and Older Americans Act funding. The Department of Aging, which has approximately 145 full-time equivalent staff members, is one of thirteen entities within the Agency of Health and Welfare.

Although 40.2% of the eligible population (age fifty and above) are members of the American Association of Retired Persons, there is not a strong active grassroots senior lobby in

the state. The most effective lobbying for seniors is done by the local professional delivery system—the local units on aging. It is not surprising that power rests with these local agencies, given that the county system is strong in California. On the county level, there is considerable evidence of collaboration in a variety of different issue areas. For example, in 1991, Governor Wilson launched the Healthy Start Initiative that focused on school-based health care services to families. In this delivery system model all health and human services are coordinated on the local (neighborhood) level and concentrated on serving the needs of the entire family.

Over the last fifteen years, the partisanship of the Governor's office has resided primarily with the Republican party which has had control of the executive branch for ten years. However, during this same timeframe, the legislature was controlled by the Democrats. Governor Pete Wilson (R) was elected into office in 1990, and is now serving his second term as Governor.

The early 1990s found California in serious financial trouble. The overall economy of the state was suffering a recession, as well as the state had to deal with a major budget deficit. This difficult financial situation put the state in a position to focus almost wholly on the present and forego long-range planning. Also required were significant cutbacks in state services. In 1992, the Ueberroth Council for California Competitiveness commissioned a report which cited a lack of coordination between government agencies. This report suggested that if California was going to be economically competitive in the 21st century, the State needed to launch a collaborative long-range planning process.

In the 1995 survey, the respondents rated themselves "poor" in the level of interagency collaboration in relationship to developing policies for the current older Americans living in their state, as well as in developing strategies for the aging baby boom population. In interviewing California public administrators in February 1997 as part of the follow-up to the survey they attributed this rating to a variety of issues not the least of which was the hard economic times the state had been facing over the early 1990s. California, in the first half of the decade, also survived earthquakes, floods, and riots.

The interviewees stated that state level collaboration in a big state like California is difficult. Several of these agencies have in excess of 25,000 employees. Each agency works on its own mission and is connected to other agencies only through the Governor's office. One staff person referred to the government structure as a wheel, with each agency as a separate spoke, and the Governor's office as the middle hub. In fact, in the Governor's office, there is an Office of Cabinet Affairs, staffed with five people whose key responsibility is to interact with the agencies and get them to "talk" to one another.

Evidence of cross-agency collaborative planning is visible on the state level, when it is specifically focused on a single priority issue of the Governor's. For example, most recently a Construction Summit was held, in which the Housing Agency, the Transportation Department, the Health and Welfare Agency and Governor's office were brought together. These agencies had to jointly examine the infrastructure needs of California, and to explore different alternatives to encourage the construction of a sufficient number of housing units to accommodate the anticipated population patterns in the State.



As one interviewee stated, "By Summer of 1995, at the time of the survey, we were just emerging from the darkness of physical, social and financial disaster. We were only starting to see the light." Much has occurred on the state level over the last year that speaks to the issue of state innovation in aging policy development. In 1996, the Hoover Commission on Efficiency and Economy issued its report calling for the integration of all state agencies which deal with Long Term Care. There is a proposal under consideration that would consolidate programs from seven different departments into a single Department of Long Term Care and Community Services. Secondly, late in 1996 the Older Californians Act was reauthorized for the first time in 15 years. This Reauthorization Act specifically addressed the issue of collaboration on the state level and between state and local partners. This Act, which went into effect January 1997, divested all contract authority and funding—\$2.5 billion—to the 33 local units on aging. It also assigned responsibilities to the Agency Director of the Department of Health and Welfare to coordinate all the agencies involved in long term care, so to "give voice" to the redefined LTC agenda in the state.

The interviewees stated that they did see a need to encourage and entice state agencies to collaborate more in the future. However, given how "big" California state government is, they felt that it was unlikely that there would be a cross-agency collaborative process established as an on-going function. In California, policy development and funding control is pushed to the county level, and the interviewees suggested that it was on the county level that collaboration and innovation is taking place.

On the state level, in the aging policy development area, there has been some new energies dedicated to innovative long-range planning. Late in 1995, Governor Wilson brought in a new Aging Department Director to reform the agency and prepare it for the aging of the boomers. Governor Wilson is cited as having the foresight to initiate these changes. Since this new director has started, and with the mandates incorporated in the reauthorization of the Older Californians Act, agencies have begun to "talk" to one another and to think through some of these long-range issues, most specifically in the health care area.

Although there is much more that could be done in the area of interagency collaboration, such as bringing into the collaborative process departments outside of the health care arena, California is moving along the path to more innovative policies apparently because of the opportunities presented through cooperative work environments. In a state as large and diverse as California, interagency collaboration is not a "natural act." Each agency sees to its own mission and has its own priorities. Without the impetus afforded by the personal involvement and leadership of the Governor, collaboration will not occur, and policy development and policy innovation will suffer.

#### **Indiana:**

Indiana is in the heartland of America. A midwestern state with a population of 5.8 million people.<sup>26</sup> Based on population, it is one of the larger states, ranking 14th. in the nation. In 1995, approximately 12.8% of its population was over the age of sixty-five. It is anticipated that the number of older Americans living in Indiana will grow over the next twenty-five years,

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<sup>26</sup> Based on population estimates of 1995.

particularly the "old old"<sup>27</sup>. Between 1995 and 2020, it is anticipated that the increase in Indiana's older population will be 40.5%, resulting in 16.2% of its' population over the age of sixty-five.

Approximately 64.9% of the state's population lives in a metropolitan area. The percapita income is \$19,203. The overall poverty rate in the state is 11.7%, with the elderly faring slightly better than the overall population, with a 10.8% poverty rate. 47.9% of the eligible population (age fifty and above) are members of the American Association of Retired Persons. The senior lobby in the state is a strong one, and many seniors are active participants in the local community groups called "Step Ahead Councils."

The state's general fund budget was \$ 6.9 billion for fiscal year 1995. The appropriation of \$37.1 million in state dollars to the aging office in 1995 was significant. This funding supports the Office for Aging with a staff of 39 full-time-equivalents, as well as many state-funded community initiatives for seniors. The Office of Aging is a separate division within the Indiana Family and Social Services Administration.

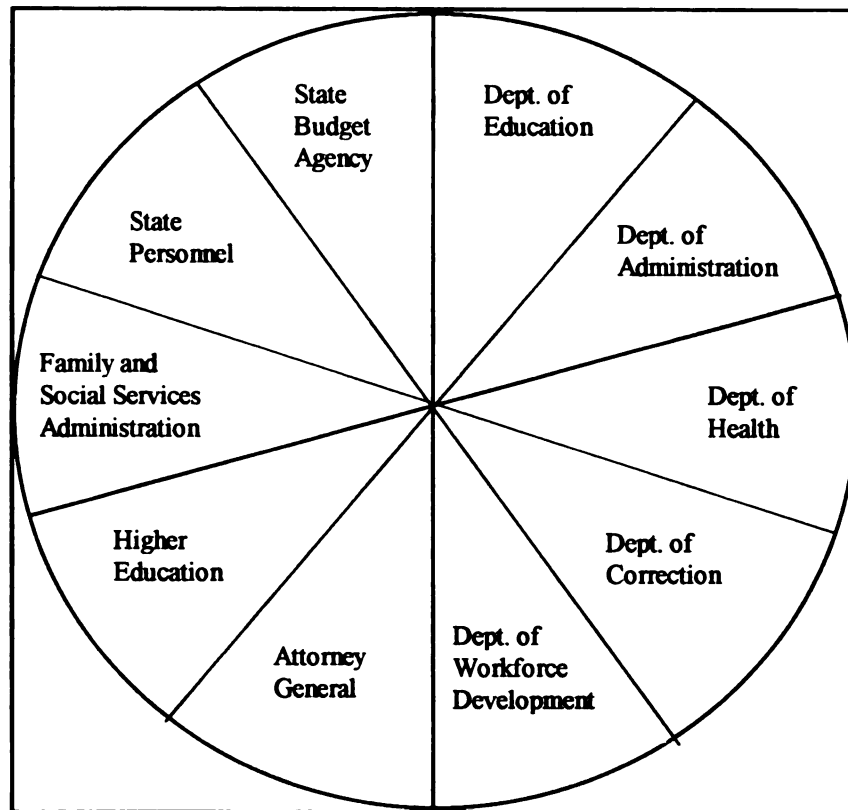
Over the last 15 years, the partisanship of the Governor's office has resided with the Republican party for 10 years, as has the legislature. During this entire period, there have been 5 years in which there was unified political control of the executive and legislative branches under Republicans. Evan Bayh (D) was elected in 1988 and served his two terms as permitted by the term limit statutes in the state. It was under the Bayh administration that significant

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<sup>27</sup> This refers to the population over the age of 85. The midwestern states, particularly the rural states, which will experience an out-migration of young, are projected to share in a larger number of the 85+ population than the rest of the nation.

reorganization of the state took place with a specific emphasis on collaboration and a focus on family. Governor Bayh's vision was to make government work for families. He mandated his agencies to work together collaboratively and rethink the delivery systems to families in the state.

In 1991, the name of the Social Services Department was changed to the Indiana Family and Social Services Administration. Also, a new network of community entities were established called "Step Ahead Councils." These local councils, eventually created in all 92 counties, were empowered by the state as "local voices" and were a mechanism to effectively do community-based planning and service delivery. An Indiana Policy Council and Working Group, involving ten different agencies and the governor's office, was created as a response mechanism for the Step Ahead Councils. (See Figure 16.) This policy council was comprised of the agency heads from each of the ten departments. Governor Bayh was Chairman of the Council and Cheryl Sullivan, Secretary of the Family and Social Services Administration, was Vice Chair.



**Figure 16—Indiana Policy Council and Working Group**

The Policy Council meets monthly to initiate policy priorities and to establish collaborative agendas and responses to meet the needs expressed by the local Step Ahead Councils. The Policy Council also created a working group of agency program administrators to implement the policy directions of the Council. This Working Group's mandate is to work together collaboratively—share resources—both people and financial—to meet the needs of the Step Ahead Councils. This Working Group actually makes "field trips" to the communities to meet with their local partners to better understand issues and know how to be most responsive. All of these efforts were undertaken without new funding or new staff.

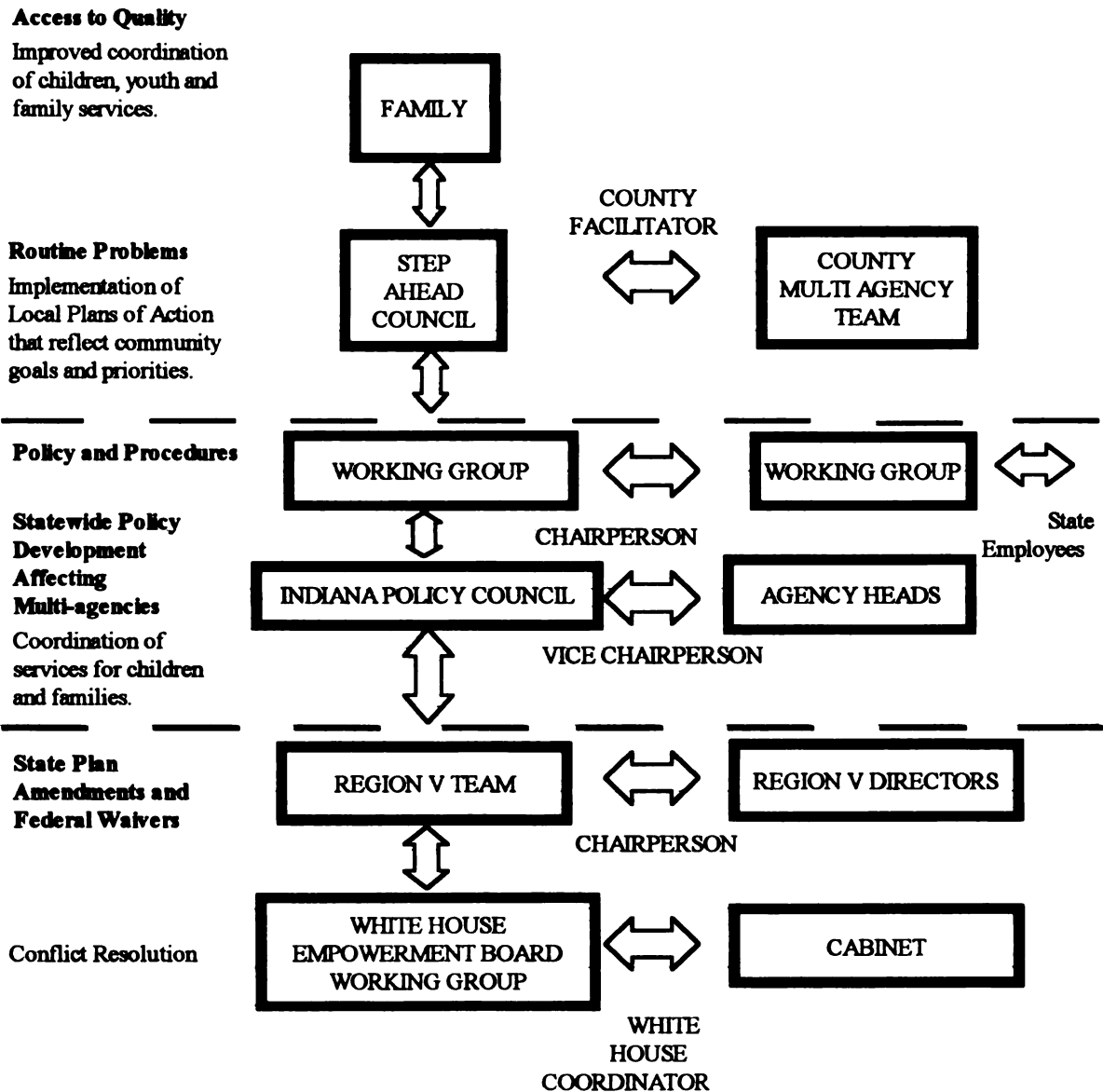
The agency directors were held accountable by the Governor for their agency's collaboration in solving problems articulated by these Step Ahead Councils. The Governor emphasized that the Step Ahead Councils were partners with the state in meeting his vision of serving families. However, by the second year of the plan, it was clear that new partners on the federal level needed to be leveraged to truly make a difference in the service delivery system.

In 1994, Indiana, along with the State of West Virginia, was selected by the White House to be a part of a national pilot effort to integrate services at the federal level. As a part of the Community Enterprise Board and under the leadership of Carol Rasco, Director of the Domestic Policy Council at the White House, seven federal agencies joined together collaboratively to respond to the needs as articulated by the Indiana Policy Council. (See appendix D for the notification letter from President Clinton.) These agencies included the departments of health and human services, labor, education, agriculture, housing and urban development, office of management and budget and the attorney general. (See Figure 17 for the interrelationships between the community, state and federal partners.)

Given the emphasis on collaboration in the state, it is not surprising that in the 1995 survey, the respondents rated themselves "excellent" in the level of interagency collaboration in relationship to developing policies for the current older Americans living in their state, as well as in developing strategies for the aging baby boom population. Aging issues and the planning for the shifting demographics of the 21st Century is a part of the ongoing agenda of the Indiana Policy Council. Many of the model programs in long-term health care is a result of the level of collaboration underway in the state.

Indiana completed a long-term care analysis out to the year 2020, and has developed a long-term care strategy to address the issue of rising health care costs. With a grant from the Robert Wood Johnson Foundation, they have instituted a "Choice" program that focuses on home-based health care that keeps aging seniors in their homes. Also, as a part of this venture is a health and wellness program, that reaches out not only to seniors but also to the middle-aged population. Indiana has a Medicare/Medicaid Clearinghouse which provides direct assistance and education to their seniors, and the Step Ahead Councils provide the single point of entry for services. They have also developed a private long-term care insurance market in the state.

In interviewing the Indiana public administrators in February 1997, they stated that collaboration was now a "standard" of operation in the state. The new governor, Governor O'Bannon (D), elected in November of 1996, strongly supports the administrative structure and the local partnerships with the Step Ahead Councils. The interviewees stated that they saw the focus on collaboration continuing with this new administration.



**Figure 17--The Indiana Collaboration Project**

Governor Bayh was credited with being the "political entrepreneur" whose insistence on "continuous quality improvement" pushed the process of change in the way government--federal, state and local--responded to the needs of Indiana's families. It is clear from the survey



findings and the interviews that collaboration was a major factor in promoting innovative decision-making processes and providing a forum in which long-range planning took place. Indiana is a model of "post-bureaucratic government" in which collaboration and cooperative work environments create opportunity for innovation and strategic policy development and policy change.

#### **South Carolina:**

South Carolina is a southern state with a population of 3.7 million people.<sup>28</sup> Based on population estimates, it is a mid-sized state, ranking 25th. in the nation. In 1995, approximately 11.9% of its population was over the age of sixty-five. Between 1995 and 2020, it is anticipated that the number of older Americans living in South Carolina will increase by 77.3%, resulting in 16.8% of its' population over the age of sixty-five.

South Carolina is considered a vacation spot. Most recently, the state has developed as a part of its economic development strategy, a plan to attract more retirees to the state. South Carolina has been successful in attracting the more financially affluent retirees to its coast areas. Currently, the state of South Carolina ranks fifth in the nation in retirement income. In fact, in this 1997 legislative session, a bill exempting the first \$50,000 of retirement income from the personal income tax is being considered.

Approximately 54.6% of the state's population lives in a metropolitan area. The percapita income is \$16,923. The overall poverty rate in the state is 18.9%. Although the state has been successful in getting the more affluent retirees to move into its borders, one-in-five

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<sup>28</sup> Based on population estimates of 1995.

elderly South Carolinians live in poverty. Although 44.8% of the eligible population (age 50 and above) are members of the American Association of Retired Persons, there is not a strong active senior lobby in the state. The most effective lobbying for seniors is done by the local professional delivery system—the local units on aging. In fact, the 1991 model legislation in the state that restricted bingo revenue into an infrastructure fund for senior citizen centers and to be a support structure for community based homecare was spearheaded by these local councils on aging.

The state's general fund budget was \$ 4.2 billion for fiscal year 1995. The appropriation of state dollars to the aging office in 1995 was \$2.3 million, with most financial support for older South Carolinians coming from the federal government—Medicaid, the Social Services Block Grants and Older Americans Act funding. At the time of the survey, Summer 1995, the Office of Aging was a separate office within the Governor's Office. However, as a part of Governor Beasley's 1997 State of the State address, he proposed that the Office on Aging be transferred to the Department of Health and Human Services, thus giving aging issues cabinet level status. The department will be renamed to the Department of the Health and Senior Services.

The partisanship of the Governor's office has been fairly evenly divided between the two parties over the last 15 years. However, Democrats have controlled the legislature during this entire period. Until 1993, South Carolina was a legislatively controlled state, in that each of the departments was not a part of the Governor's cabinet, but answerable to the legislative committees and/or separate commissions. During the Campbell (R) administration, legislation

was passed late in 1993 converting the state into an executive controlled state, thus, vesting more control for the administration of the state to the Governor. In November of 1994, Governor Beasley (R) was elected<sup>29</sup> into office, with an agenda for "reengineering and consolidating state government."

In the 1995 survey, the respondents rated themselves "poor" in the level of interagency collaboration in relationship to developing policies for the current older Americans living in their state, as well as in developing strategies for the aging baby boom population. In interviewing the public administrators in February 1997 as a part of the follow-up to the survey, they attributed this earlier rating to the changes state government was undergoing at the time. Governor Beasley took over stewardship of the state in January of 1995 and quickly attempted to move the departments under his purview. The Summer of 1995 was a critical time for this reorganization, and it is very likely that the level of interagency collaboration was very low.

The interviewees commented that the level of collaboration has increased significantly since the state has come under executive control. Prior to this administrative shift, the agencies had no real opportunity for or reason to collaborate. In fact, it was stated that the only opportunity to influence policy on behalf of the aging constituents in the state was through legislative channels and the only real influence on the legislature was the local councils on aging.

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<sup>29</sup>. Governor Campbell did not seek re-election.

For the last 15 years, there has been a Long Term Care Committee functioning that involved several state agencies. This Committee was successful in coordinating health care policy as it related to the Medicaid waiver the state had received. However, since the changes in administration, this Committee has become more empowered to do long range planning in relationship to health care needs. In 1996, this Committee issued its first Long Term Care (LTC) strategic plan with nine recommendations for action. This plan specifically addressed the issue of the aging baby boomers. Also, an Adult Protection Coordinating Council was created in late 1995, which included the private sector, law enforcement, community leaders, local aging council members, state aging office, and social services on the state level. This coordinating council meets on a regular basis to wrestle with issues of elder abuse and determine statewide policy options.

A Long Term Care Proviso passed as a part of the 1996 appropriations bill required that the local councils on aging function as a single point of entry for services to elders. This single application point of entry proviso referred to the need for collaboration with state and local transportation entities. Within the health care arena, there seemed to be much energy directed at collaboration in the state, between agencies, as well as between the state and their local partners. However, outside of the health care and elder abuse area, there is little evidence of cross-agency collaboration in South Carolina, particularly in preparation for the aging of the baby boomers.

The interviewees stated that they see the focus on collaboration increasing, given the administrative changes underway in state government. Governor Beasley was credited with

being the "political entrepreneur" who pushed the process of change. It is clear from the survey findings and the interviews that the lack of interagency collaboration prior to 1996 stifled the ability for innovative decision-making processes and for any long-range planning to take place. Although there is much more that could be done in the area of interagency collaboration—bringing in other departments, such as Labor, Commerce, and the Office of the Budget—South Carolina is moving along the path to more innovative policies apparently because of the opportunities presented through cooperative work environments.

#### **Vermont:**

Vermont is a small New England state. In fact, with a population of 579,000,<sup>30</sup> it is the second smallest state in the nation, with only the state of Wyoming having fewer people living within its borders. Vermont is primarily a rural state (it has been said that it has more cows than people living there), with only 32.2% of the state living in a metropolitan area. In 1995, approximately 12.1% of Vermont's population was over the age of 65. It is anticipated that the number of older Americans living in Vermont will increase by 57.1% between 1995 and 2020, resulting in 16.7% of its' population over the age of 65. The per capita income in Vermont is \$19,467. The overall poverty rate in the state is 10.4%, with the elderly being a bit worse off than the overall population, with a 12.4% poverty rate.

65% of the eligible population (age 50 and above) are members of the American Association of Retired Persons. The senior lobby in the state is a strong one, and many seniors are active participants in community affairs. In fact, it was the aging advocacy groups in the

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<sup>30</sup>. Based on population estimates of 1995.

state that brought the issue of the shifting demographics to the public's attention and pushed the state aging agency to survey the state's middle-aged population regarding their expectations about the quality of life they hope to have in the future. Also, at the urging the of the Vermont chapter of AARP and the Council of Vermont Elders (COVE) the Department of Aging and Disabilities was created in 1990 as a separate division within the Agency of Human Services. Out of the state's general fund budget of \$ 657 million for fiscal year 1995, the state appropriation to the Aging Office was slightly over one million dollars. It is staffed with six full-time equivalents.

Over the last 15 years, the partisanship of the Governor's office has been split, with nine years of executive control by the Democrats and six years by a Republican. During this same timeframe, the Republicans had control of both houses of the legislature for six years, but only three of these years represent a unified party control of both branches of government by the Republicans. Governor Dean (D) first elected in 1990,<sup>31</sup> was chair of the National Governors' Association in 1994 and championed the issue of early childhood development and school readiness. His emphasis in his administration on the importance of investment in young children and families also included a focus on aging issues, particularly family caregiving.

The respondents to the 1995 survey rated themselves as "excellent" in collaboration on several fronts. Vermont does not have a county system and authority is vested in local government. Local communities primarily govern schools and roads, however, there are local collaboratives that work to create and envision the desired human service outcomes for their

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<sup>31</sup>. Vermont is the only state in the nation which has elections for governor every two years. Governor Dean is now in his fourth term.

community. The prominent state role in Vermont is the coordination and funding of these locally defined outcomes. Coordination, collaboration, and innovation is critical on the state level because most funding authority rests with the state and thus most control over programs and policies are on the state level. If Vermont is to be true to its tradition of local control then they need to function in a coordinated way to support the planning and development underway in these local, community-based groups.

The focus of the older Americans programs in the state of Vermont, is similar to that of South Carolina—independence. This theme resonates through a recent passage of Public Act 160 "Shift the Balance Bill."<sup>32</sup> This bill required reduced institutional spending by eight to ten percent over a four year period, and increased home-based care. They froze nursing home bed construction and shifted the focus of funds to the community-based health care alternatives. This concerted effort to increase the quality of home and community based care also involved the coordination of the service delivery system among state and local health and human service agencies.

Not only does this state-local collaboration exist, but there is also an extensive cross-agency relationship. All agency heads meet every Monday as an "Executive Policy Committee" to discuss cross-cutting issues and determine collaborative policy direction. In the follow-up interview protocol the interviewees suggested that this top-level collaborative agenda provided a unified purpose and direction for all of the state agencies and set the expectation that cross-agency collaborative planning would take place at all levels.

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<sup>32</sup> The Redistribution of Long Term Care Expenditures: Shifting the Balance Act (P.A. 160) passed the Vermont legislature in 1996.

In Vermont the interviewees felt that no one leader or entity spurred collaboration and innovative decision-making but that it simply was the culture of Vermont to work together cooperatively. There is less mobility in Vermont than other states with many people staying in their community for long time creating a close knit family culture. The church is also a strong factor. Town meetings are a regular part of the Vermont culture and used as a forum to share information and build consensus around issues and policies. Collaboration is an expected way of doing business in Vermont.

### **Summary—What Makes A Maverick Innovator?**

Lammers and Klingman (1984) examined the variations in state based aging policies over a twenty year period (1955-1975). They created an "index for innovation" that utilized a variety of dependent variables, that were grouped into four categories: (1) the state's efforts at income maintenance, (2) the state's social services programs, (3) the state's health and long-term care delivery systems, and (4) the state's efforts at regulatory protection for the elderly. Using regression analysis, complemented with a comparative case study involving eight states, they classified states into a four quadrant matrix: strong achieving states, underachieving states, low achieving states, and maverick innovators based on this innovation index.

The state categorizations defined in the Lammers and Klingman study (Lammers/Klingman (1984) and Lammers (1989)) codified each of the fifty states into one of the following four categories:

***Strong Achievement States:*** states possess demographic and socioeconomic background to establish the aging issue as a problem, and have assertive political traditions, and are developing innovative responses to their aging populations;



***Underachieving States:*** states possess demographic and socioeconomic background to establish the aging issue as a problem, and have assertive political traditions, but are not developing innovative policies for their elderly;

***Low Achieving States:*** states that traditionally make limited use of state government—financial investment and policy development capacity, and they are not developing innovative programs/policies for their elderly; and

***Maverick Innovators:*** states do not typically possess the policy capacity or the political openness to develop innovative responses to their aging populations, and they traditionally have a limited use of state government, but they are developing innovative policies for their aging population.

Using this framework for analysis, it would appear, based on the 1995 survey, that California is an example of an "Underachieving State", Indiana of a "Maverick Innovator," South Carolina of a "Low Achieving State," and Vermont of a "Strong Achieving State." Although it is interesting that these states fall out the way they do, I am uncertain, when looking at a "snapshot" in time, if this classification is relevant. Also, given the information gathered from the interviews, it is important to note the "timing" to any analysis. Based on efforts from 1995-1997, it is clear that both California and South Carolina would be considered "Strong Achievers" if not "Maverick Innovators."

What is more important than classification of the states is gaining insight into what makes states become "Maverick Innovators" and how to encourage such development. Clearly, in looking at the findings from the aggregate analysis and the comparative state reviews, collaboration—within state government, as well as across the different levels of government—was a crucial element in explaining policy innovation. This finding augments the study of Lammers in that he also found the pattern of innovation was not one of exclusive state

involvement but rather a response that involved shared roles with other levels of government, and sometimes with the private sector (Lammers, 1989). Collaboration and policy innovation is distinctly linked.

In all four states, the interviewees suggested that government response to the shifting demographics of the 21st century would need to be different from past efforts in meeting the needs of aging citizens. As a society, we cannot continue to do "business as usual"—government cannot afford to be the answer to all problems—we don't have the money to do it.

Osborne argued this point in his book, Laboratories of Democracy.

"The fundamental goal is no longer to create—or eliminate—government programs; it is to use government to change the nature of the marketplace. To boil it down to a slogan, if the thesis was government as the solution and the antithesis was government as the problem, the synthesis is government as partner." (Osborne, 1988:327).

The model for this "new government" or "post-bureaucratic society," is collaboration and the creation of cooperative work environments. The success of "collaboration" as instigator of policy development and innovation is apparent in all four states. Particularly when we are addressing the issue of innovative decision-making processes collaboration appears to be a key element in turning states into "Maverick Innovators."

## **CHAPTER 6**

### **CREATING A NEW STRUCTURE FOR INNOVATION: THE IMPORTANCE OF COLLABORATION TO THE INNOVATIVE DECISION-MAKING PROCESS**

*"Thus, analyzing innovation, and what factors facilitate or retard it, is intrinsically valuable. At the state level the increasing competition among the states lends added significance to understanding innovation."*

*Virginia Gray,  
in New Perspectives on American Politics, 1994*

#### **Introduction**

This dissertation tells a story about innovative decision-making processes underway in states as they prepare for the shifting demographics of the 21st century. It explores the determinants of decision-making--demographic, socioeconomic, political and organizational--and builds a theory of innovation which is centered on the process of decision-making and long-range planning. Through this dissertation, important insights are gained regarding governance structures and practices, especially the importance of collaboration and cooperative work environments in stimulating innovation.

This dissertation assumes that states will continue to have a prominent role in the development of domestic social policy, and will continue to be the source of "vertical

innovation<sup>33</sup> in the future. The emphasis on "innovative process" in this dissertation challenges the way in which many political scientists have gone about studying this issue in the past, and moves the study of innovation closer to the agenda formation research. This dissertation highlights the importance of policy entrepreneurs, policy networks and the development of policy capacity within states as critical components to understanding state based innovation. A framework for studying decision-making processes in states is developed which can assist in explaining state variation in innovation.

### **Explaining State Variation in Innovation**

As highlighted in chapter four, there are a variety of lessons learned regarding the role of demographic, socioeconomic, political and organizational factors as determinants of innovative processes in states. Based on the findings from the aggregate analysis, I conclude that demographics was not a significant factor in long-range planning for the aging of the baby boomers. The current percentage of elderly in a state was not significant in projecting the level of aging policy innovation in that state. Those states that will undergo the largest growth in the

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<sup>33</sup> Gray (in Dodd and Jilson, 1994) suggested that innovations will diffuse more rapidly than in the past, and their spread will be less tied to regional boundaries given the current and ever-growing technology available to state governments, and the reliance on professional networks and associations as information gathering mechanisms, making the study of diffusion of innovation among states no longer relevant. These trends mean that state's exposure to new ideas will become more similar and that the lag time between the first and last adopters will shrink. She argued that the important focus of future research is the process of innovation and that "vertical diffusion" of innovation was more likely the trend of the future. She supported the suggestion by Richard Nathan that there would be less "horizontal diffusion of innovation" in the future and more "vertical diffusion" with state innovations trickling up to the national level.

percent of elderly are doing the least long-range planning and innovative strategic policy development. This suggests that these states will be least prepared for the aging of America.

Secondly, wealth, determined by per capita income, was a strong indicator of state level innovative decision-making. This conclusion is not surprising, given the long history of "wealth" as a determinant of policy development and innovation diffusion (Dye, 1966; Walker, 1969; Gray, 1973; Savage, 1978; Cannon and Baum, 1981; Lammers and Klingman 1984a; Lammers, 1989; and Berry and Berry, 1990; 1992). However, "size" of a state, based on population estimates, had no bearing on the innovative decision-making processes within a state. Walker (1969) used "size" of a state as a proxy variable indicating large state bureaucracies, and thus, argued that there were a significant number of staff available to send to policy network meetings and to attend association conferences. Therefore, it is possible that "size" would be a relevant factor for diffusion, but not a significant determinant of innovative processes within states.

Thirdly, on the political front, the finding regarding the importance of unified executive and legislative party control and innovative decision-making processes was anticipated. The theory of "unified government" has been developed in the literature, and there is some research regarding the connection between party unification and policy outcome. However, given the finding in this dissertation, it is important that additional explorations of the potential role of "unified party" as a determinant of policy be continued.

The findings regarding political liberalism and innovative decision-making must be regarded cautiously. There is a statistically significant negative relationship between states

which consistently have Democratic executive leadership and innovative planning and decision-making processes. However, the two states which scored highest on the innovation index were Vermont and Indiana and both currently have Democratic governors. It is arguable that this variable is being unduly influenced by the southern states phenomenon, and that further research is necessary to determine the relationship between ideology and partisanship with state policy innovation.

Finally, the findings regarding organizational factors prove most interesting, and possibly are most significant, when considering the potential for adding to the political science discourse about policy development and innovation. Collaboration was consistently shown as a significant independent variable in the OLS model in explaining and predicting innovative decision-making processes, as states prepare for the aging of America. An open and cooperative work environment coupled with collaborative engagement between state agencies results in more innovative decision-making and long-range planning.

Equally as interesting, is the finding that bureaucratic structure influences innovative decision making processes and long-range planning. The more organizational status given to the aging issue (cabinet level department status), the less likely to find innovative decision-making processes underway. Although contrary to my initial hypothesis, this finding that the relationship between bureaucratic organizational status and innovation is negative actually complements the finding regarding collaboration. If aging issues are delegated to a single department, then it appears that other agencies do not feel responsible for or connected to

aging issues. Comprehensive state involvement in aging issues is inhibited because only a single agency has been assigned ownership of the issue.

These findings from the aggregate analysis are helpful in telling a story about innovative planning and aging policy development in states. In addition, the lessons from this quantitative analysis are rounded out with the learnings from the comparative case studies. The states of California, Indiana, South Carolina and Vermont were outlier states in the aggregate analysis, when considering the explanatory factor of collaboration. In looking at the findings from the aggregate analysis, and complementing them with the comparative state reviews, collaboration--within state government, as well as across the different levels of government--was a crucial element in explaining innovative decision-making processes underway in states.

The states involved in the comparative case study varied in size of state, region, demographics, wealth, and partisanship. The single most critical element in the four states interviewed was the level of collaboration. Collaboration and policy innovation were distinctly linked. It has been argued that collaboration enables better use of available resources and improves the quality and range of services (Melville and Blank, 1992:12). In the era of "no new taxes" and "anti-government public sentiment," collaboration has been cited as the wave of the future of government by the interviewees, as well as in the literature.

In an era of tight budgets, leveraging a variety of resources and facilitating cooperation are key ingredients in successful government initiatives. It is clear to many of the current observers of the public sector that necessity brought about by budget trimming is also giving rise to a new spirit of collaboration. The notion of working together to solve problems creatively efficiently and cost-effectively is a common theme among the 1995 Innovations in American Government Awards winners sponsored by the Ford Foundation and administered by the Kennedy School of Government at Harvard University. (Jordan in *Governing*, 1995:27).

In all four states, the interviewees suggested that “government responses to the shifting demographics of the 21st century would need to be different than past efforts at meeting the needs of aging citizens.” They submitted that government cannot afford to be the answer to all problems. All of the interviewees stressed that “collaboration -- doing business in new and different ways with new and different partners -- is the wave of the future.” However, they stated that “collaboration is not typical of state governance practices, and the challenge before state government is figuring out how to change the culture of their organization to meet the demands of the 21st century.”

#### **The Challenge to States: Change the Culture and Create Innovation**

Through the years, the public sector tended to follow the prevailing paradigm of private management. In the 1930s, Roosevelt's Committee recommended a structure patterned largely after corporate America in the 1930s. From the 1930s through the 1960s, large, top-down centralized bureaucracies were developed to take care of the public's business. These hierarchical bureaucracies were patterned after the corporate structures in which tasks were broken into simple parts, each the responsibility of a different layer of employees, each defined by specific rules and regulations. With rigid preoccupation with standard operating procedures, vertical chains of command and standardized services, these bureaucracies were steady, but often slow and cumbersome.

Massive reorganization and restructuring has taken place within private enterprise throughout the 1980s and 1990s. True to form, on all levels of government, there has been a move to “reform,” “reengineer,” “restructure,” and “reinvent” government. “Reorganization



sometimes appears to be a code word symbolizing a general frustration with bureaucracy and governmental intrusion" (March and Olson, 1983:290). In 1993, the National Performance Review issued a report suggesting that in today's world of rapid change, lightening-quick information technologies, tough global competition, and demanding customers, large, top-down bureaucracies--public or private don't work (Gore, 1993). The current bureaucratic structure of government has little reason to innovate, or to simply improve the way it does business. This report called for the development of effective, entrepreneurial public organizations.

Also in 1993, the National Commission on State and Local Public Service issued a report entitled, Hard Truths/Tough Choices, which stated, that "making democracy work is what the state and local public service must be about" (Winter, 1993:vii). An obvious part of addressing the problems that face society is examining the structure of government and determining how it can be better organized to do its job more successfully. The National Commission on State and Local Public Service suggested that there was a consensus among both citizens and public officials that state and local institutions of government needed to drastically improve their capacity and performance, if they were to meet the challenges of the rapidly changing economic and social systems. The report proposed that these government systems move away from the encrusted and outmoded systems of command and control that often emphasized processes at the expense of mission and results. They argued that executive leadership was at the heart of change.

Government "reinvention" has come to mean many different things. It has become synonymous with reorganizing, downsizing, rightsizing, and privatizing. According to Reinventing Government, reinvention means "the fundamental transformation of public systems and organizations to create dramatic increases in their effectiveness, efficiency, adaptability and capacity to innovate" (Osborne and Gaebler, 1992). Reinvention is about changing governance structures--replacing bureaucratic systems with innovative, "self-renewing" systems. Osborne and Plastrik propose five strategies to change the "government's DNA" focused on changing purpose, incentives, accountability, power structure and the culture of public systems (Osborne and Plastrik, 1997).

What does governance look like in this post-bureaucratic society? It has been called "entrepreneurial government" focused on "quality," "learning," "adapting," and "innovating" (Osborne and Gaebler, 1993; Gore, 1993; and Osborne and Plastrik, 1997). Tom Peters is very direct about management requirements in the private sector if companies wish to survive in the information era. Peters is adamant about creating entrepreneurial environments which are centered around teams of people working together collaboratively--"skunk works" (Peters and Austin, 1985). Peters also argues that leadership is a critical component of creating innovative processes in which people working within these contexts "own" the issue, the problem, or the product.

Osborne and Plastrik suggest much of the same can be applied to the public sector. They argue that bureaucratic systems were designed to be stable, but in the globally competitive information age, these systems are doomed for failure (Osborne and Plastrik,

1997: 38). They, too, encourage a different governance model—focused on customers, based on entrepreneurial leadership, employee empowerment and changing the "culture" of work by creating collaborative work environments. Regardless of what you call it, or how it is being done, governance structures appear to be ripe for change. Public systems seem to be slowly shedding the binds of the industrial age and shifting to a new paradigm of governance to flourish in the information era.

Thus, the challenge before the states is how to work within their governmental (bureaucratic) institutions to encourage, entice and elicit collaboration. The interviewees stressed that "states must leverage the necessary process changes within their institutions while not growing in scope or size, to create the policy innovation necessary to meet the challenges presented by the shifting demographics of the 21st century." Government exists to do things that people want done. The determination of what the government shall do involves the definition of the tasks which the bureaucracy shall perform (Hyneman, 1950). Collaboration might be a model for "new government" in a "post-bureaucratic society."

### **Building a More Complete Theory of Innovation**

As shown in the aggregate findings and the comparative state reviews, collaboration plays a critical role in explaining the innovative decision-making processes in state government, as they prepare for the shifting demographics of the 21st Century. The importance of entrepreneurial leadership, capacity to plan, and the existence of policy networks or policy communities is a recurring theme throughout the findings. In this globally competitive

information era, collaboration appears to be explicitly linked with the innovative, adaptive organization.

Leadership is a critical component of collaboratives. "Leadership is an agent of change" (Rockman, 1994:144). In Indiana, in particular, a political entrepreneur--the governor--played a critical role as change agent in innovative decision-making processes. Fowler (1994) stressed the importance of political entrepreneurs in creating policy change. "It is this dynamic quality that transforms political entrepreneurs in potential catalysts for change" (Fowler, 1994: 298). Also validated in the comparative state reviews was the importance of "planning networks" or "policy committees." Both in Indiana and Vermont, the existence of a "planning group" or "planning network" created the necessary collaborative environment to stimulate innovative decision-making processes.

Collaboration is a process tool which challenges the roles, responsibilities and the standard operating procedures of many existing organizational structures. It levels playing fields among workers and leaders, and gives "voice" to the customer or client base. Collaboration enables innovation and adaptation to the changing environment. Social capital can be built through these new governance networks, and thus, the potential exists for re-engaging the public with the administration of government, and in the development of social policy.

It is arguable that collaboration is the most important organizational variable to consider when attempting to explain and predict state level innovation. "Characteristics of the way government decides what to do affect the characteristics of what it does" (Creighton

Campbell, 1992 :28). Gaining insights into "collaboration" is especially necessary because it is important that future research on innovation build a variable of "collaboration" into this new structure of innovation.

## **Conclusion**

This dissertation pointed out the importance of the role of states in future domestic social policy development. It showed the potential implications of the changing demographics of the 21st century and illustrated the importance of this demographic metamorphosis on state policy. This dissertation constructed a model for explaining and predicting state policy innovation and built an innovation index based on political entrepreneurs, policy communities or networks and general state policy capacity. The major finding in this research, found in both the aggregate analysis and comparative case study, identified collaboration as a new dimension of state level policy innovation.

Gray suggested that process studies and variance studies could learn from one another (Gray, in Dodd and Jilson, 1994). This dissertation has done just that: taken from the knowledge in the agenda formation and political entrepreneur literature and built it into the examination of state variance in innovation in aging policy development. This single issue study can easily be criticized as being only relevant in the area of aging. However, since it is examining state governance structures and innovative decision-making processes, it is reasonable to suggest that any issue in which states must develop policy to respond to any pressing matter would benefit from this dissertation's findings. This dissertation advances the innovation theory-building process by linking a theory of agenda formation with innovation,

and identifies a structure for innovation which includes a critical new dimension of collaboration.

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## **APPENDIX A**



## **APPENDIX A**

### **LIST OF AGENCIES SURVEYED**

1. State Unit on Aging
2. Department of Social Services
3. Department of Public Health
4. Department of Mental Health (including Disabilities)
5. Office of Veterans Affairs
6. Insurance Commission

## **APPENDIX B**

## **APPENDIX B**

### **Aging of America and State Policymaking: Creating a 2020 Vision Health & Human Support Survey**

#### **General Perceptions About Your State's Aging Policies**

1. After 2010, the number of Americans over age 65 will swell rapidly as the first of the baby boomers reach retirement age. Most demographers project that state and local governments will experience substantial changes – in terms of services demanded and tax structure – as the baby boom cohort ages. Throughout this decade and the next one, older Americans will form a significantly increasing percentage of our population. What is your assessment of the significance of this demographic change on your state? (circle one)

1. Minor                      2. Moderate                      3. Major

2. In the past five years, how well has your state government responded to the anticipated increase in the 65+ population?

1. Poorly                      2. Adequately                      3. Very Well

3. Please evaluate the current capacity of the state to effectively meet the challenges and opportunities of these shifting aging demographics.

#### **Ranking of capacity**

1. Minimal                      2. Sufficient                      3. Superior

- \_\_\_\_\_ Enhancing and assuring the quality of life of older Americans including health care and social support services.
- \_\_\_\_\_ Assuring the economic independence of older Americans via social security supplements, flexible pension and retirement systems and supports.
- \_\_\_\_\_ Providing affordable housing options for older Americans.
- \_\_\_\_\_ Supporting transportation alternatives for older Americans allowing their affordable independent living.
- \_\_\_\_\_ Adapting state and local tax and finance structures to adjust or accommodate for the changing demographics.

4. We are interested in your assessment of how the growing aging population will affect your state in the future. For the year 2010, what level of importance do you anticipate the following aging issues will have to your state:

Rankings of importance in 2010

1. Minimal      2. Moderate      3. Significant

- \_\_\_ Enhancing and assuring the quality of life of older Americans including health care and social support services.
- \_\_\_ Assuring the economic independence of older Americans via social security supplements, flexible pension and retirement systems and supports.
- \_\_\_ Providing affordable housing options for older Americans.
- \_\_\_ Supporting transportation alternatives for older Americans allowing their affordable independent living.
- \_\_\_ Adapting state and local tax and finance structures to adjust or accommodate for the changing demographics.

5. With the project changing demographics comes an implied change in the types of social support services and options that may be needed. How would you describe your state government's efforts to plan for these changes?

1. Poor      2. Fair      3. Good

6. Given the shifting tides of federalism, states might be called upon to take a lead role in designing, developing and funding alternative options for social support services for older Americans. Has your state developed any innovative responses to these possible new challenges?

Yes      No

7. If yes, please briefly identify them: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

8. What is your current investment in human service programs for the older Americans? \$ \_\_\_\_\_

9. Have the aforementioned demographic changes inspired your state to complete a long-term cost analysis for Medicare/Medicaid funding?

Yes      No

10. What is your state's estimated future investment in human service programs for the older Americans in:

2000: \$ \_\_\_\_\_

2005: \$ \_\_\_\_\_

2010: \$ \_\_\_\_\_

2015: \$ \_\_\_\_\_

2020: \$ \_\_\_\_\_

11. Does your state have an overall strategy to address the rising costs of long-term health care for older people?

Yes

No

12. If yes, what is the primary focus of this strategy? (circle)

- i. limiting access to health care services (e.g., managed care or HMOS) for older Americans
- ii. enhancing older Americans' access to health promotion and prevention programs (e.g., through education and public awareness)
- iii. reducing the public subsidy for health care services for older Americans (e.g., to a percent of cost or an actual limit)
- iv. promoting long-term care private insurance options for older Americans

13. What are your current state funding sources for human services for the older Americans?

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

14. What do you anticipate future state funding sources will be for human services for the older Americans?

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

15. Which legislative entity (e.g., committee) controls appropriations of funding for programs for the older Americans?
-

16. Which organizational entity (e.g., agency) manages social support programs for older people in your state?
- 

17. Have you surveyed your state's middle-aged population in order to forecast what services and other resources will be needed in the future?

Yes                      No

18. Are your services community-based and coordinated?

Yes                      No

19. How would you describe the level of collaboration between your agency and other state agencies and departments on policies and programs for older Americans?

1. Poor                  2. Good                  3. Excellent

20. Within your state, how would you describe the level of collaboration among state agencies and departments in developing a strategy for meeting the changing needs of the older Americans in the next few decades?

1. Poor                  2. Good                  3. Excellent

21. How would you describe the level of collaboration between you agency and local communities on policies and programs for the current older Americans population?

1. Poor                  2. Good                  3. Excellent

22. How would you describe the level of collaboration with local communities in developing a strategy to meet the future needs of the changing older Americans cohort.

1. Poor                  2. Good                  3. Excellent

23. How would you describe the level of collaboration between you state and the federal government on policies and programs for the current older Americans population?

1. Poor                  2. Good                  3. Excellent

24. How would you describe the level of collaboration with the federal government in developing a strategy to meet the future needs of the changing older Americans cohort?

1. Poor                  2. Good                  3. Excellent

25. On this scale (1=poor, 2=good, 3= excellent), how would you describe the ability of your human service programs to meet the needs of:

\_\_\_\_\_ older women?

\_\_\_\_\_ older minorities?

\_\_\_\_\_ economically disadvantaged older individuals?

26. Does your state subsidize the following programs for older citizens?

(i)	In-home nursing assistance programs	Yes	No
(ii)	Home-delivered meals programs	Yes	No
(iii)	Homemaker services?	Yes	No
(iv)	Visiting nurse services?	Yes	No
(v)	Home health aides?	Yes	No
(vi)	Adult day-care?	Yes	No

27. Does your state have a state-based supplemental Medicare program to assist older Americans to pay for long-term care?

Yes

No

28. If so, what is the source of funding for this program?

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29. How would you describe the effectiveness of your state's support and social services to older people (e.g., homemaker/chore services, personal care, financial services, out-of-home day care or respite care, protective services, casework, counseling, et.)?

1. Poor

2. Good

3. Excellent

30. How would you rate the "innovativeness" of your state's human service policies for the current older American population?

1. Not at all

2. Somewhat

3. Very

31. How innovative is your state's strategy for providing human services to the aging baby boomer cohort?

1. Not at all      2. Somewhat      3. Very

32. How effective has your state been in developing a continuum of community-based services for the older Americans?

1. Not at all      2. Somewhat      3. Very

33. How would you describe your state's ability to provide support to family members taking care of older Americans' relatives?

1. Not at all      2. Somewhat      3. Very

34. How would you describe your state's planning for a coordinated support system to detect gaps in services and develop new resources to meet the needs of a changing older American cohort?

1. Not at all      2. Somewhat      3. Very

35. Has your state developed policies to encourage the development of a private long-term care insurance market?

- Yes                      No

36. Does your state support programs specifically designed for victims of Alzheimer's disease?

- Yes                      No

37. Describe the quality and effectiveness of your state's safety net for the older Americans population.

1. Poor                  2. Good                  3. Excellent

38. How would you describe your state's ability to implement federal older Americans human service programs?

1. Poor                  2. Good                  3. Excellent

39. How would you describe your agency's working relationship with your state's office on aging?

1. Poor                  2. Good                  3. Excellent



40. How would you describe your state's adherence to the provisions of the Older Americans Act?

1. Poor                      2. Good                      3. Excellent

41. How would you describe your state's ability to assess the needs and determine the priorities of the current older American population?

1. Poor                      2. Good                      3. Excellent

... the future older American population?:

1. Poor                      2. Good                      3. Excellent

42. How would you describe the efforts of your state government to provide information, referrals, case management, protective services, and programs related to elder abuse?

1. Poor                      2. Good                      3. Excellent

## **APPENDIX C**

## **APPENDIX C**

### **INTERVIEW PROTOCOL FEBRUARY 1997**

**STATE:**

**DEPARTMENT:**

**INTERVIEWEE:**

*Following-up on a survey conducted by the Council of Governors' Policy Advisors in the Summer of 1995, I have some specific questions regarding the long-term planning and innovative strategies your state is developing as they prepare for the aging of the baby boom population. This information will become a part of a publication which is planned to be released by the Council. No direct response will be attributed to you, but only to the state. These questions should only take ten minutes to respond to. You are free not to answer any of the questions asked and you may discontinue the interview at any time.*

1. Do you think that your state--either in your agency or within the Governor's office--has adequate policy capacity currently to address the challenges presented by the shifting demographic balance of the 21st century? If yes, please tell me about how your state has developed this policy capacity?

2. Is there a strategic policy development process within your state which will assist in preparing the state--agencies, administrators, and political leaders--for these shifting demographics of the 21st century?

3. Tell me why you feel that your state has an innovative strategic policy process in place to address the challenges faced by your state because of this growing aging population?

4. Does this policy process or planning group involve cross-agency collaboration in which your state develops policy for the 21st century and the aging of the baby boomers? Please explain.

4a. If there is this collaborative effort underway, what do you attribute to its initial start-up? For example, was there specific technical expertise, political leader or policy entrepreneur which spearheaded this collaborative effort?

5. Did your state--agency, collaborative or planning group--receive any special appropriation to fund this collaborative effort, either to initiate it or allow it to continue?

6. Has your state agency considered the impact that the aging of the baby boom cohorts and their mass retirement will have on state services and resources? Please rate your agency's level of involvement and consideration about the following issues in regards to the well-being of the future senior population in your state, on a scale from 1 - 3.

1=not considered an topic that concerns this agency

2=considered, recognizing this topic as a viable initiative for the future

3=seriously considered and currently engaged in comprehensive, long-term planning in this area

State-funded or Initiated Retirement Savings Programs	
Workforce Development Programs and Policies to Reflect the Older Worker	
Economic and Community Development Strategies for an Aging Society	
Housing Initiatives and Policy Changes Reflecting the Changing Demands	
Transportation Policies	
Education and Life Long Learning Programs	
Community Based Health Care Efforts	
Tax Policy Changes	

7. Please share with me any innovative program that you are aware of in your state which we should highlight as a potential model for the country?

## **APPENDIX D**

## **APPENDIX D**

**THE WHITE HOUSE**

**WASHINGTON**

**January 5, 1994**

**The Honorable Evan Bayh  
Governor of Indiana  
206 State House  
Indianapolis, Indiana 46204**

**Dear Governor Bayh:**

I congratulate you on the creative, innovative and practical approach of the Indiana Consolidated State Plan on Service to Children and Families. This plan should enhance collaboration among federal, state and local programs as well as between the public and private sectors. Through the Indiana Policy Council on Children and Families and the Step Ahead Councils, you have created a mechanism which encourages community based planning management working together to transform the state, federal and local response to children and families.

Vice President Gore joins me in the belief that the reinvented relationship of all levels of government to the delivery of services is essential to the process of community empowerment. We are pleased that the development of community values and goals is a priority under your plan, and we are particularly enthusiastic about the family focused, comprehensive and preventive principles of service. We urge you to carefully consider the ways in which public funding can be used to leverage private funding. We also encourage you to establish clear benchmarks of progress, evaluating and measuring success.

As you know, under the leadership of Carol Rasco of the Domestic Policy Council, several federal agencies and members of a sub-group of the Community Enterprise Board have been available to your representative, Cheryl Sullivan, as the plan was introduced. Among them were the National Economic Council; the Vice President's Office and the Departments of Agriculture, Education, Health and Human Services, Housing and Urban Development, Justice and Labor. They have reviewed the plans and met several times, and are hopeful that your initiative will provide them with an opportunity to learn more about successful service integrations and about the barriers created

by categorical funding, eligibility requirements and regulations. In addition, they have also contacted their regional offices, where appropriate and sent letters indicating that your representative has met with us. This relationship will continue as the plan and processes develop and continue to evolve. You will have at each agency and office someone available to you to answer continuing questions that we will need to resolve.

As I have frequently said, 'governments don't raise children, families do'. An emphasis on learning directly from families about their needs will lead to reforms that will enable families to become stakeholders in their own future and that of their children and communities. It is our hope that the reinvented service delivery to children and to families will lead to comprehensive plans for economic and human development, since we believe that economic self-sufficiency is essential to the revitalization of communities.

We hope that one measure of success will be in preventing the problems which necessitated the need for these services.

We look forward to learning, through the Indiana Consolidated State Plan, important lessons about effectiveness, economy and cooperation. The Community Enterprise Board will provide an effective forum in which to review your trials and triumphs.

Best wishes in your initiative.

Sincerely,

A handwritten signature in dark ink, appearing to be 'S. M.' or similar, written in a cursive style.