

Where Does Opportunity Knock?

Executives and Distributive Politics.

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Abstract:

American state governors, like other executives, promise policies to voters but lack the means to deliver them without the help of the legislative branch. As such, they must secure relationships with legislators by delivering side benefits. What priorities drive this allocation of executive powers and how does a Governor prioritize the competing goals of placating members of the legislative branch, securing their own reelection, and being an effective steward of their state? The Trump Tax Bill of December 2017, which gave state governors a one-time opportunity to distribute a geographically-targeted federal tax incentive, provides a useful case-study to examine this question. As part of the bill, all 50 Governors were given the opportunity to choose census tracts within their state to become eligible for preferential tax treatment. Within 120 days of the law's enactment, governors selected up to 25% of their eligible tracts, providing a short window that allows confident measurement of the political situation at the time of the distribution of the favor. We estimate the likelihood that an eligible tract is selected as a function of both the economic characteristics of the tract and the political characteristics of the governor and the relevant state and federal legislators. We find persistent differences between Republicans and Democrats: the latter targeted tracts exclusively based on demographics while the former used the program to reward legislative co-partisans. We also find that these partisan differences are intensified among governors insulated from electoral pressures due to term limits or insulated from the need to reach across the aisle by virtue of controlling both chambers of the state legislature.

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Introduction

The role of governors in American politics has grown considerably in scope since their early days as legislative appointees to their current laundry list of responsibilities in myriad positions both official and ceremonial (Ferguson 2013). As their list of charges grows so too does the list of individuals governors must appeal to in order to ensure both the future of their party in the state as well as their own political future. How then do these chief executives remain in the good graces of these competing constituencies, especially as governors serve as a crucial liaison between varying layers of government and must balance local, state and federal interests?

We explore this question by utilizing a one-time geographically-targeted federal tax program as a window into the revealed preferences of these chief executives. When an executive with competing interests is presented with a sudden windfall to distribute, to whom do they distribute the largesse? Do they use it to build support among their own voters as research focusing on Presidentially directed federal spending has found (Kriner and Andrew 2012)? Or do they focus on currying favor with members of the legislative branch who value favors from the executive (Kousser and Phillips 2012)? Finally, to what extent do governors try to build good-will with the federal government, rewarding co-partisans in Congress such that they might call in that chit for federal monies some time in the future?

Studying the Opportunity Zone program which emanated from the 2017 Tax Cuts and Jobs Act, we find that governors facing electoral pressure are more likely to use these tax abatements as poverty reduction programs, with Democrats exhibiting a higher likelihood of aiding communities of color and Republicans more strongly targeting areas of high unemployment. However, among governors who are no longer eligible for reelection due to term-limits, Democratic governors stop targeting non-whites and Republicans stop targeting poverty rates. Further, we find that Republican governors are more likely to locate these opportunity zones in districts represented by co-partisans at both the state and federal level while Democrats don't systematically reward their fellow liberals.

This federal program is especially illustrative of the true preferences of executive-level politicians in

that exceedingly little time was given for these officials to prepare for the program’s implementation and the window within which to designate these census tracts for the tax abatement program was similarly small. Furthermore, the development of the program was completely exogenous to state policy and each of the states’ 50 governors received a similar allocation of these tax benefits, creating ideal test conditions by which to measure the causal relation between varying factors and the allotment of these benefits.

Our results show that political considerations dominate the decision making process of executive-level officials, even for projects with a specific policy goal in the heart of their design. These findings further strengthen the findings of works like Berdejó and Yuchtman (2012), Downey and Oklobdzija (2018) and Gordon and Huber (2007) which show that political pressures often distort outcomes in supposedly routine bureaucratic tasks. Given that political considerations may often result in sub-optimal policy outcomes, our results also have important implications when it comes to how much influence political actors should wield over programs such as the poverty-abatement measure we study here.

Background and Relevant Literature

On December 22, 2017 when President Donald Trump signed into law the Tax Cuts and Jobs Act, a provision of that law created a class of geographically-targeted investment incentives called opportunity zones. Realized capital gains reinvested in designated opportunity zones would be eligible for deferral and a step-up in basis while capital gains from the investments in opportunity zones would be tax-free if held at least ten years. These significant incentives were intended to encourage new equity investment in low-income communities. Crucially, the designation of which geographic areas qualified as opportunity zones was delegated to state governors.

Upon passage, the Act designated a set of eligible low-income census tracts from which governors would make their selections. Eligible tracts had either poverty rates of at least 20 percent or median family incomes no greater than 80 percent of that in the surrounding area, as measured by the American Community Survey of 2011-2015. Governors then nominated up to 25 percent of the eligible tracts (or up to 25 if the state had fewer than 100 eligible low-income tracts) to be certified by the Secretary of the Treasury as “opportunity

zones.”¹ Nominations were due 90 days from enactment, on March 21, 2018 though a 30-day extension was granted, pushing the final deadline to April 20, 2018. Treasury then had 30 days to approve submissions and in practice, governor’s submissions were simply accepted and certified by Treasury. The qualified tracts retain the designation for ten years.

This discretion to nominate tracts represents a significant benefit exogenously and unexpectedly handed to governors. How did governors direct these benefits? Did they honor the spirit of the program and pick those tracts which represent the greatest need and best opportunities for economic development? Or did they use the program as a tool to build political capital?

Perhaps governors used this federal manna to build legislative coalitions. If so, did they reward co-partisans or reach across the aisle? Was the aid targeted to the electorally vulnerable within their party or toward moderates to build credit for future votes? Was the decision influenced by the size of their legislative majority or did it depend on whether they are term limited or facing re-election? These are central questions of distributive politics and this paper speaks to each of them.

In the wake of the seminal study by Berry, Burden, and Howell (2010), a wealth of recent papers have explored the role of the executive in the geographic allocation of federal outlays. Kriner and Andrew (2015) find that the electoral college significantly distorts spending in the US as Presidents reward swing states (specifically the strongly supportive counties within these swing states). Larcinese, Rizzo, and Testa (2006) find that the President directs spending to co-partisan governors and congressmen as well as rewarding states that voted for him. Using data from Brazil and a regression discontinuity design to focus on close electoral races, Brollo and Nannicini (2012) find that the executive rewards districts narrowly won and punishes districts narrowly lost. On the other hand, Boone, Dube, and Kaplan (2014) find no evidence of political targeting in the disbursement of American Recovery and Reinvestment Act funds in 2009, concluding that funding formulas carried the day.

Studying budget allocations is a direct measure of the outcome of greatest interest but affords an oblique

¹Up to five percent of the nominated tracts were allowed to be moderate income tracts adjacent to nominated qualifying low-income tracts so as to create a coherent, contiguous zone.

look at the priorities of the executive as the influence of the executive is moderated by the legislative process and the necessity of courting legislators to secure passage. By contrast, the power to designate opportunity zones rests solely with the governor thus studying opportunity zones provides an unfiltered view of the motives of the executive. The panel of 50 states provides a degree of variation in the political state of the executive—size of legislative majority, time to election, and approval rating—comparable if not superior to what is achieved in the longest panels of federal spending. The timespan of 120 days between enactment and final deadline provides a relatively narrow political event window within which the executive’s political state remains reasonably constant and measurable. Moreover, it allows us to gather evidence of credit-claiming on social media by state legislators to demonstrate the value of this particular benefit.

Dynes and Huber (2015) note that it is challenging to distinguish between rewarding supportive legislators and rewarding supportive voters because the latter often elect and are therefore co-located with the former. Because most legislative districts encompass multiple eligible tracts, the governor has the opportunity to reward his/her more supportive voters within a legislative district. While data on gubernatorial electoral returns are not available at the tract level, they are available at the county level which, where districts encompass multiple counties, enables an isolated investigation of voter targeting.

There is one existing study of opportunity zones, though it is not peer reviewed and does not consider political targeting. Using their own constructed measure of prior investment flows for commercial projects and residential housing, Theodos, Meixell, and Hedman (2018) assessed the extent to which governors targeted their opportunity zone selections toward communities in need of investment. They find relatively little evidence of targeting based on investment need. Considering the strong evidence of targeting to demographic indicators of low socioeconomic status such as elevated unemployment and substandard household income, it seems unlikely that governors failed to consider need. Rather, it would suggest that governors had either more or less information than Theodos, Meixell, and Hedman. Given the short decision window, governors may not have systematically assessed the prior investment flows and current capital deficit of each tract, choosing unemployment and median household income as sufficient proxies. It is also possible that governors had more information. There is scattered evidence in news articles and tweets of governors receiving (both

Table 1: Summary of Motivations and Predicted Behaviors

Type	Primary Motivation	Primary Incentive
Steward	Reelection	Distributes benefits to neediest parts of state
Ringleader	Broaden legislative coalition	Distributes benefits to vulnerable members of legislature
Supplicant	Strengthen ties to federal government	Distributes benefits to influential members of Congress

solicited and unsolicited) information from local authorities regarding their priorities.

Gubernatorial Motives

Governors occupy a unique space in American politics. They bridge all levels of U.S. federalism and thus must appeal to an extremely wide ranging set of officials—both elected and unelected—in order to fulfill policy agendas and serve as effective stewards of their state. Governors must lobby the federal government for monies and policies that might affect their state (e.g. Kincaid 1984) while simultaneously working with their own legislative branch in order to move policy at home. At the same time, governors are elected officials and must appeal to voters both in order to earn reelection and to maintain the height of the bully pulpit. However, as Kousser and Phillips (2012, p. 1) point out, “[a] governor’s only formal legislative power is a reactive one.” While these executives’ electoral viability depends on public perceptions of their stewardship of the state, they lack any real ability to pass legislation by themselves—having only the option to sign or veto bills crafted in the legislature at the end of session.

Given a windfall and with many constituencies to please, we propose that governors can assume three postures that will inform how they will locate opportunity zones within their states (see Table 1.) First, they can act as stewards—locating these opportunity zones in the most economically distressed parts of the state such that they will fulfill their intended policy goal of luring investment and employment to troubled areas. Second, governors can act as ringleaders. As such, they will reward co-partisans in the legislature, doling out these favors to marginal members in order to ensure their loyalty or boost their chances of reelection by giving them a boon for which to claim credit. Third, governors may act as supplicants—locating these opportunity zones in the districts of members of Congress they wish to please such that they’ll reward these governors with federal favors at a later time.

There is already evidence that state legislators representing districts that house one or more Opportunity Zones use them to credit claim. Several state legislators made mentions of opportunity zones on their Twitter accounts. Analyzing tweets collected by Butler and Kousser (n.d.) since before the inception of the TCJA, we identified 141 distinct tweets mentioning opportunity zones in some format. These tweets came from 95 unique legislators across 20 states. Of these tweets, 73.05 percent came from Republican legislators.

Differing external factors will tilt governors towards one or another of these roles. For instance, a governor enjoying an overwhelming partisan advantage or with future elections precluded by term-limits will place less premium on courting voters and, depending on their priorities, assume the role of either ringleader or supplicant. Likewise, governors with a fractured legislature will more likely find themselves ringleaders—doling out benefits to ensure discipline within their party or to aid a legislative co-partisan facing a difficult reelection. However, a governor facing a difficult election will likely eschew distributing this benefit to legislators either in Congress or at the state-level and will instead hoard these benefits for themselves. In that instance, one would expect the governor to act as a steward and target these benefits to low-income tracts where they might make the largest impact.

Missing in this initial analysis, but to be featured in future iterations of this project once data become available, is the role of special interest groups. A fourth plausible motivation for governors is to reward previously supportive interest groups. Unfortunately, disentangling campaign finance data to identify donors with business interests in targeted areas is not possible at present. However, members of the U.S. Senate have introduced legislation² to release data on these opportunity zones and information gleaned from tax filings due in 2020 may provide us the data necessary to form these linkages.

Given these divergent behaviors and their roots in motivations whose relative strength ought to vary by political situation, we can construct several hypotheses about the behavior of executives. At the heart of all these hypotheses is the observation that elected officials' guiding motivation is reelection (e.g. Fenno (1973); Mayhew (1974)). Thus, executives will try to maximize their time in office by distributing goods to the constituency most critical to reelection.

²“Booker, Scott, Hassan, Young Introduce Bipartisan Bill to Strengthen Reporting Requirements for Opportunity Zone Tax Incentive.” May 8, 2019. Accessed on Nov. 25, 2019 at https://www.booker.senate.gov/?p=press_release&id=922.

Governors face differing pressures depending on political considerations in their state. These pressures, we argue, fall into three distinct categories:

1. The pressure to court voters directly. This pressure varies according to the partisan lean of the state, the incumbent governor's approval rating, and whether the Governor is eligible or term-limited.
2. The pressure to sustain a legislative coalition. Variation in this pressure is most clearly measured by the seat share of the Governor's party in the chambers of the state legislature.
3. The pressure to secure federal moneys and policies.

Depending on which of these three are dominant, a governor will face the strongest incentive to act as either a steward, a ringleader, or a supplicant. For instance, a governor facing strong reelection pressures, either from a strong challenger or a balanced political divide in their state, will locate the opportunity zones in the areas of the state that benefit the most people. As such, that governor can effectively claim credit for bettering the economic prospects of their state.

Conversely, when a governor is more confident in their reelection prospects, that official can focus on satisfying the other two constituencies with whom they interact—namely their state legislature and the federal government. Governors who possess a strong partisan majority in the legislature can focus on building ties with the federal government by locating these opportunity zones in districts that are home to friendly members of Congress. On the other hand, those with weak legislative voting blocs will be more inclined to locate the opportunity zones in areas that help legislative allies.

These competing motivations lead us to a series of testable hypotheses:

Hypothesis 1: A governor facing high reelection pressure will locate opportunity zones in more economically distressed areas rather than in districts of legislative or congressional co-partisans.

Hypothesis 2: A governor facing low reelection pressures and a competitive legislature will locate opportunity zones in the districts of legislative co-partisans.

Hypothesis 3: A governor facing low reelection pressures and enjoying a strong partisan legislative majority will locate opportunity zones in the districts of Congressional co-partisans.

Research Design

We conduct our analysis at the census tract level, seeking to enumerate the political and economic factors that influence the probability that a particular tract is designated part of an opportunity zone, conditional on its being eligible. The sample begins with the 42,176 tracts designated as eligible by the Federal government. Many tracts are split across multiple legislative districts. In these cases, we include separate observations for each tract-district combination. Thus we have 78,553 observations in the final dataset. The dependent variable is a binary indicator of whether the tract was selected by the state governor. These data were compiled by the Urban Institute, which has written extensively on opportunity zones.

We estimate the effect of economic and political covariates on the probability of selection via a logistic regression with a particular configuration of the error-term to accommodate the structure of our data. Because each governor was given an independent budget of tracts to select, each state is an econometrically separate subsample. Because the decision-maker, and thus the data generating process, varies by state, we suspect correlation between the errors within any state. Likewise, if a governor is receiving and acting upon information from local representatives, there is likely to be local correlation among the error terms. While such petitioning seems to have taken place at many levels, including by city officials, we feel we must select one such local level. Given the appearance of lower chamber characteristics in our analysis and the inability to partition an entire state into incorporated cities, we believe the state legislative district is the proper choice. Thus we estimate a multilevel logit with random effects at the state, state legislative lower chamber district, and tract levels.

Our covariates include a vector of economic controls, X_c , measured at the census tract level: poverty rate, unemployment rate, % white, total population, and median family income. These data come from the American Community Survey. We also include several political characteristics of the state legislative district, Z_l : whether the representative is a co-partisan of the governor, the representative's vote-share in the prior

election, and the legislator’s seniority in the chamber. These data are provided by Klarner (2018). Because there is extremely high covariance between the partisan vote-shares for a tract’s upper and lower chamber representatives, we include only the representative from the lower chamber.

We include two variables designed to better measure whether a governor is rewarding allied legislators with an opportunity zone or whether that official is rewarding their own voters. In doing so, we address the dilemma advanced by Dynes and Huber (2015) with better data and more precise measures than they had access to. The first variable measures presidential vote share by census tract in the 2016 election as a proxy for partisan voting. Though some states, like Massachusetts, have a tradition of split-ticket voting between presidential and gubernatorial candidates, we are able to control for this phenomenon by including state-level fixed effects. Second, we examine gubernatorial vote share at the census tract level for several states holding gubernatorial elections in 2016. Data for both variables come from McDonald (2020) and were mapped from the election precinct-level to the census-tract level using the precinct’s centroid to find the corresponding tract via the U.S. Census API³.

We use interaction effects to investigate differences arising from the partisan affiliation of the governor. We use sample splits to determine the extent to which the influence of economic and district-specific variables vary according to the situation of the governor. These state political variables of interest include whether the governor is term limited, the degree of legislative professionalism, whether the governor’s party controls both chambers of the legislature, the size of the governor’s majority in each chamber, and the governor’s approval rating. This last is measured by a 50-state Morning Consult poll from the fourth quarter of 2017 which has the advantage of universal coverage with a consistent methodology and large sample sizes leading to sampling error margins averaging 2.1%.

We have reason to believe our data are characterized by spatial auto-correlation. Maps of the designated zones (e.g. Figure 2) reveal significant spatial clustering of the designated zones. This is partially because of the well-known clustering of poverty which drives both eligibility and economic targeting. But a reading of the press coverage suggests a belief in a minimum viable area requiring multiple adjacent zones. The 5%

³Unfortunately, McDonald (2020) was missing data for 2016 election results in Alabama, Indiana, Mississippi, New Jersey, New York, Ohio, Pennsylvania and West Virginia.

allowance of tracts that are somewhat above the income threshold but adjacent to other chosen tracts is consistent with this view. As a result, we include a spatial lag of the dependent variable, Y_c , defined by an adjacency matrix at the tract level, W . In essence, this admits that the probability of designation is influenced by whether a tract's neighbors are designated.

The 5% allowance for adjacent moderate-income tracts presents a minor econometric challenge which we address in two ways. First, we have estimated the model with a sample restricted to the eligible low-income tracts. Second, we have estimated the model including both low-income and low-income adjacent tracts, but with a dummy variable for the latter to capture the fact that, even after controlling for the effect of their relatively positive economic characteristics and whether a neighboring low-income tract was actually selected, these tracts are less likely to be selected on account of the limited number of slots and the program clearly not intending them as a primary target. We report the latter.

Because most governors are given identical 25% quotas, variation in probability of selection is almost entirely within-state. Because of the possibility that tracts are selected to court state legislators, it is possible that between-district variation and within-district variation affect outcomes differently. For instance, suppose the governor identifies a key set of legislators to court and asks them each to indicate a few tracts within their district they wish her to designate. Between-district variation would be determined by the strategic position of the state legislator vis-à-vis the governor while within-district variation might be determined on economic merit. To isolate the within-district variation, we also run specifications where the district random effects are replaced by district fixed effects. To isolate the between-district variation, we run a random effects logit at the lower chamber state legislative district level where the dependent variable is the fraction of eligible tracts designated, the dependent variables are district level demographic and political characteristics.

Data

Nebraska is not in our sample because the state does not report the partisan affiliation of state legislators. Among the 49 State Governors in our sample for the first quarter of 2018, there were 32 Republicans, 16 Democrats, and 1 Independent (Alaska). Of these governors, 15 were term-limited (12 Republican, 3

Democrat) and 32 enjoyed unified legislative control (25 Republican, 7 Democrat). State assemblies range in size from 40 members (Alaska) to 400 members (New Hampshire) with a median size of 100.

Tracts were considered eligible low-income communities if their poverty rates were at least 20% or median family incomes did not exceed 80% of the local area median. Tracts adjacent to these communities were also considered eligible so long as their median family income did not exceed 125% of the bordering low-income tract. However, adjacent tracts were not allowed to account for more than 5% of the designated tracts. A surprisingly high 57% of tracts nationwide were eligible through one of these paths. Governors were allowed to nominate up to 25% of the eligible tracts in their state or up to 25 tracts if their state had fewer than 100 eligible tracts. In all, 11.8% of US census tracts received opportunity zone certification. As our sample is limited to the eligible tracts selected by poverty and income, the demographics of Table 2 are not representative of the country as a whole, being higher poverty (22.3% to 12.3%), higher unemployment (9.7% to 4.1%), less Caucasian (53.5% to 72%), and more urban.

Figure 1 depicts the non-eligible, eligible but not selected, and selected tracts for the state of Missouri. Note the relatively even geographic distribution of designated tracts across the state, including the two large metropolitan areas of St Louis and Kansas City; mid-sized towns such as Columbia, Jefferson City, and Springfield; and many rural areas. This pattern—observed in virtually every state—is a casual indication that governors distribute benefits to a wide set of constituents.

Figure 2 displays selection within the metropolitan area of Los Angeles. In this case, tracts are shaded in quintiles by their poverty rates while those tracts that were designated by Governor Brown are outlined in green. The map makes clear that while poverty is strongly predictive of designation, and poverty is itself clustered, there is spatial clustering of designation beyond that which can be explained by the spatial clustering of poverty. In other words, Governor Brown sought to designate contiguous multi-tract areas. Hence the need to control for spatial autocorrelation.

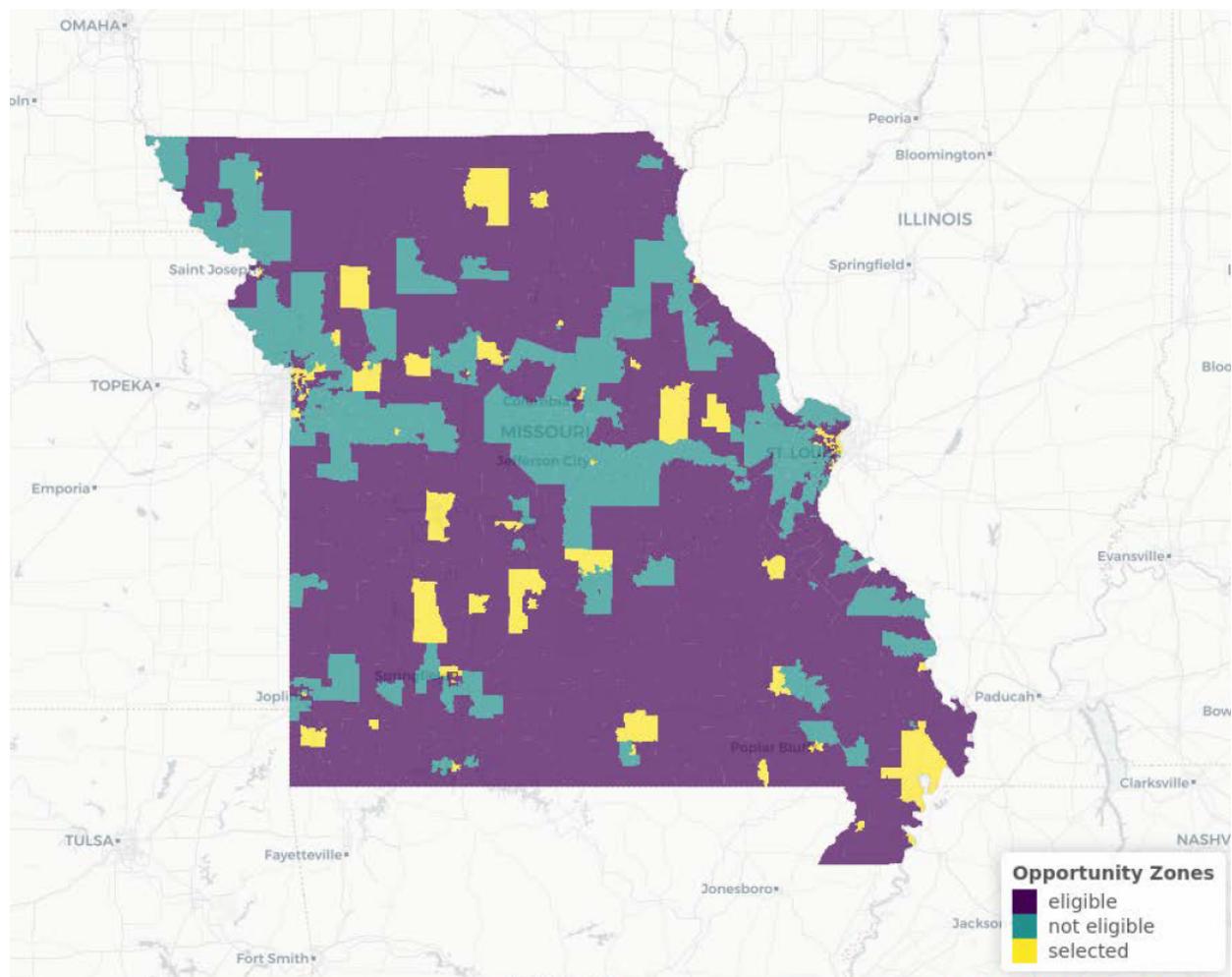


Figure 1: Tract eligibility and selection in Missouri.

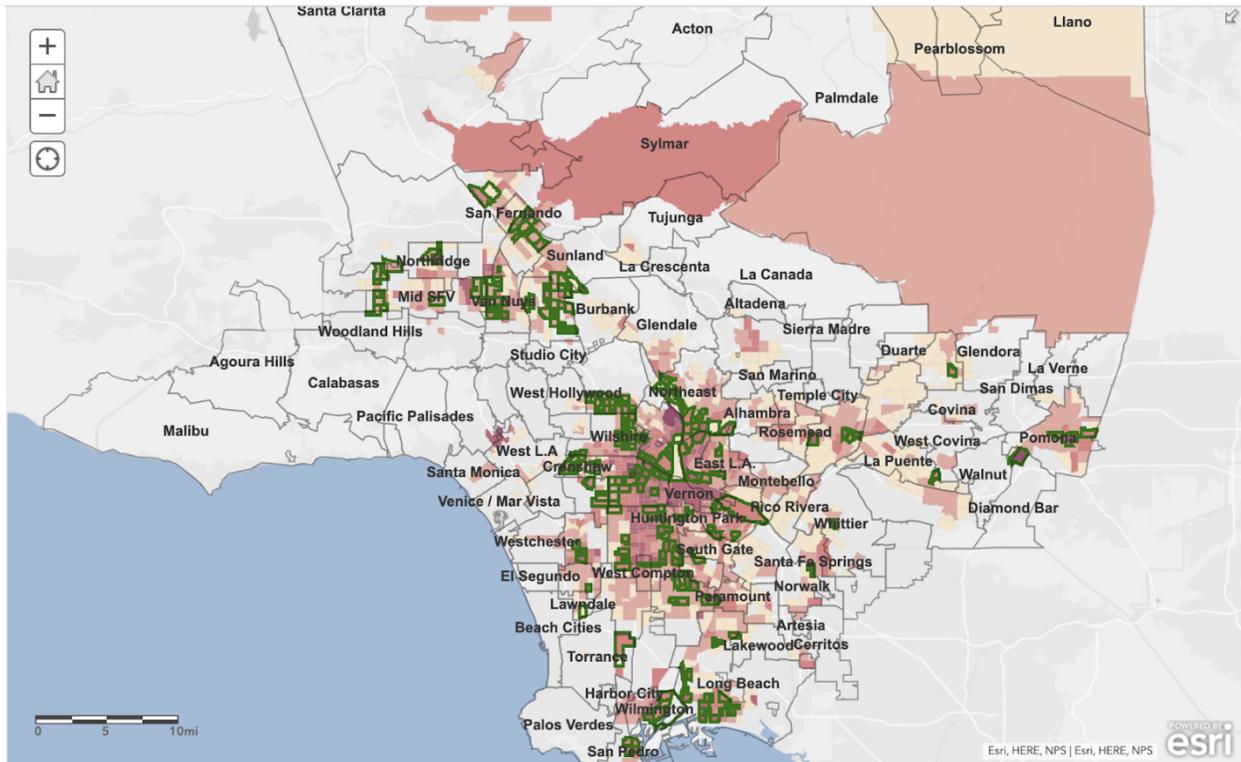


Figure 2: Tract selection and poverty rates in Los Angeles County.

Results

We first show the importance of the nested multi-layer model and an accounting for spatial autocorrelation (Table 2). In order to avoid complexities arising from the specification, we do so with the set of demographic variables which are easiest to operationalize. We start with a RE logit (column 1), add spatial autocorrelation (column 2), switch to nested multi-layer RE for states and state legislative districts (column 3), and finally include both (column 4). Notice that while there are 5,411 districts in the combined lower chambers of all state legislatures, we have only 4,297 in our sample because many districts do not contain any tracts that met the eligibility criteria.

Three things are clear. First, spatial autocorrelation is, as expected, very strong. Having a neighboring tract selected increases the odds of selection by over 50%, a result that remains across all our later complex specifications. Second, the multi-level RE are significant and can have large impacts on the estimates of other effects. For instance, including them on top of the spatial autocorrelation increases the odds ratio on the unemployment rate by 60% (columns 2 and 4). Third, each of the included demographic factors has a strong and significant effect on the likelihood of designation. For example, a one percentage point increase in a tract's poverty rate multiplies the odds of designation by 1.03. The interquartile range of poverty rates among the eligible tracts is [13.3%, 28.9%] implying that a tract with 75th percentile poverty is almost 60% more likely to be designated than a tract with 25th percentile poverty. A one percentage point increase in unemployment rate multiplies the odds by 1.027 implying that a tract with 75th percentile unemployment (12.1%) is over 18% more likely to be designated than a tract with 25th percentile unemployment (5.7%). In other words, the poor and the unemployed are heavily targeted, as the program envisioned.

Turning to the political calculus of governors, our first step is to ask whether the partisan affiliation of the governor is systematically related to this demographic targeting. This could be due either to a governor's sincere interpretation of which communities are in need or to a deliberate rewarding of reliable constituents. We interact each demographic variable with the party of the governor (Table 3, column 1). Relative to their Democratic counterparts, Republican governors target poverty slightly less and non-whites almost not at all. However, Republican governors are much more concerned about unemployment, with associated odds ratios

Table 2:

	<i>Dependent variable:</i>			
	Tract Selected?			
	Baseline (1)	Spatial Autocorrelation (2)	District + State R.E. (3)	Full (4)
Poverty Rate	0.044*** (0.001)	0.041*** (0.001)	0.035*** (0.001)	0.031*** (0.001)
Unemp. Rate	0.021*** (0.002)	0.015*** (0.002)	0.028*** (0.002)	0.025*** (0.002)
Pct. White	-0.005*** (0.0004)	-0.004*** (0.0004)	-0.004*** (0.001)	-0.001 (0.001)
Metropolitan Tract?	-0.506*** (0.036)	-0.542*** (0.036)	-0.508*** (0.052)	-0.550*** (0.049)
Micropolitan Tract?	-0.174*** (0.043)	-0.232*** (0.044)	-0.116** (0.058)	-0.151*** (0.055)
Low-Income Tract			2.316*** (0.054)	2.384*** (0.054)
Num. Adj. Tracts Selected		0.413*** (0.008)		0.427*** (0.010)
Ln(Population)	0.046** (0.019)	0.136*** (0.020)	0.116*** (0.023)	0.170*** (0.023)
Constant	-2.472*** (0.172)	-3.520*** (0.178)	-4.910*** (0.224)	-5.798*** (0.223)
Observations	78,553	78,553	78,553	78,553
Log Likelihood	-34,542.780	-33,122.750	-31,332.370	-30,425.110
Akaike Inf. Crit.	69,099.570	66,261.500	62,684.730	60,872.210
Bayesian Inf. Crit.			62,777.450	60,974.200

Note:

*p<0.1; **p<0.05; ***p<0.01

more than 4 times as great as those for Democratic governors.

Our next question is whether governors reward co-partisans in the state and federal legislatures. We find a stark and surprising difference by party (Table 3, column 2). Democratic governors do not systematically target co-partisans. However, Republican governors are far more likely to designate a tract if that tract is represented by a Republican in the state or federal legislature. Interestingly, Republican governors pay twice as much attention to co-partisans in the state chamber: a tract represented by a Republican Congressman is 23% more likely to be designated while a tract represented by a Republican state legislator is 47% more likely to be designated. Adding these political considerations does not greatly change the estimated impact of the demographic variables.

If co-partisan legislators are rewarded, one might expect vulnerable members of the caucus to place greater value on the credit-taking opportunity and be more likely to ask for and receive this favor. However, we find no statistically significant relationship between the relevant state legislator's vote-share in the most recent election and the likelihood of a tract being designated (Table 3, column 3). We used a fractional polynomial regression to determine the functional form of vote-share that delivered the best fit. The shape (Figure 3) is as expected, revealing a modest rise in the probability of designation the lower the vote share until a threshold below which the probability falls. This would suggest that the more vulnerable co-partisans are rewarded unless they are so vulnerable that they are written off⁴. But the slope of the relationship is too gradual to be statistically significant. Nor does controlling for the party of the governor and the party of the legislator reveal any relationship.

Usefully, there is a great deal of variation in our sample in both the extent to which governors are subjected to electoral pressure and their party's seat share in the state legislature. We split the sample first by whether the governor's party controls both chambers of the state legislature and second by whether the governor is term limited or capable of standing for reelection at the end of the current term (Table 4). When facing divided government, governors of both parties strongly and equally target the poverty rate. On top of this, both parties target high unemployment rates, but Republicans do so three times as strongly as

⁴The range of incumbents' vote share is quite large because many state legislatures employ multi-member districts. Thus we have a few who won while garnering fewer than 20% of the votes.

Table 3:

	<i>Dependent variable:</i>			
	Baseline	Tract Selected?		District F.E.
		Leg. Copartisans	Leg. Vulnerability	
	(1)	(2)	(3)	(4)
Poverty Rate x GOP Gov.	-0.010*** (0.002)	-0.010*** (0.002)	-0.016*** (0.003)	-0.002*** (0.0003)
Unemp. Rate x GOP Gov.	0.028*** (0.005)	0.017*** (0.004)	0.014** (0.006)	0.005*** (0.001)
Pct. White x GOP Gov.	0.007*** (0.001)	0.005*** (0.001)	0.007*** (0.002)	0.001*** (0.0002)
Cong. Co-Part x GOP Gov.		0.184*** (0.057)	0.215** (0.107)	-0.025* (0.014)
State House Co-Part x GOP Gov.		0.259*** (0.057)	0.474*** (0.118)	
Metropolitan Tract? x GOP Gov.	0.218** (0.109)			
Micropolitan Tract? x GOP Gov.	0.206 (0.125)			
Poverty Rate	0.037*** (0.002)	0.032*** (0.002)	0.038*** (0.002)	0.006*** (0.0003)
Unemp. Rate	0.008** (0.004)	0.009*** (0.003)	0.018*** (0.005)	0.001*** (0.001)
Pct. White	-0.005*** (0.001)	-0.004*** (0.001)	-0.006*** (0.001)	-0.001*** (0.0002)
Metropolitan Tract?	-0.689*** (0.093)	-0.500*** (0.040)	-0.336*** (0.066)	-0.033*** (0.009)
Micropolitan Tract?	-0.292*** (0.107)	-0.198*** (0.049)	-0.119 (0.076)	-0.023*** (0.009)
Low-Income Tract	2.395*** (0.054)	2.318*** (0.056)	2.383*** (0.072)	0.130*** (0.004)
Num. Adj. Tracts Selected	0.426*** (0.010)	0.437*** (0.009)	0.444*** (0.014)	0.052*** (0.001)
Cong. Co-Partisan		-0.095** (0.045)	-0.078 (0.086)	0.012 (0.011)
GOP Gov.	-0.710*** (0.206)	-0.544*** (0.096)	-0.684*** (0.204)	
State House Co-Partisan		-0.067 (0.047)	-0.244** (0.096)	
Ln(Population)	0.168*** (0.023)	0.166*** (0.022)	0.182*** (0.031)	0.017*** (0.003)
Ln(S.H. Voteshare) x S.H. Voteshare2			0.027 (0.028)	
S.H. Voteshare2			0.045 (0.046)	
Constant	-5.347*** (0.262)	-5.367*** (0.213)	-5.754*** (0.333)	
Observations	78,219	69,805	43,801	78,210
R ²				0.242
Adjusted R ²				0.198
Log Likelihood	-30,259.630	-27,938.300	-16,994.980	
Akaike Inf. Crit.	60,553.260	55,910.600	34,031.960	
Bayesian Inf. Crit.	60,710.800		34,214.400	
Residual Std. Error				0.349 (df = 73901)

Note:

*p<0.1; **p<0.05; ***p<0.01

Democrats. Meanwhile, Democratic governors target non-white tracts while Republican governors exhibit no racial targeting.

Table 4:

	<i>Dependent variable:</i>			
	Tract Selected?			
	Divided Gov. (1)	Trifecta (2)	Eligible for Reelection (3)	Term-Limited (4)
Poverty Rate x GOP Gov.	0.010* (0.005)	-0.042*** (0.004)	0.011** (0.005)	-0.060*** (0.005)
Unemp. Rate x GOP Gov.	0.055*** (0.011)	-0.001 (0.009)	0.048*** (0.010)	-0.018 (0.011)
Pct. White x GOP Gov.	0.012*** (0.003)	0.005* (0.002)	0.008*** (0.003)	0.010*** (0.003)
Cong. Co-Part x GOP Gov.	0.107 (0.213)	0.218 (0.159)	-0.077 (0.190)	0.500*** (0.190)
State House Co-Part x GOP Gov.	0.509** (0.216)	0.459** (0.194)	0.730*** (0.213)	0.283 (0.219)
Metropolitan Tract? x GOP Gov.	0.023*** (0.003)	0.063*** (0.004)	0.017*** (0.004)	0.078*** (0.005)
Micropolitan Tract? x GOP Gov.	0.018*** (0.007)	0.024*** (0.008)	0.011 (0.009)	0.033*** (0.009)
Poverty Rate	-0.008*** (0.002)	-0.004* (0.002)	-0.006*** (0.002)	-0.008*** (0.003)
Unemp. Rate	-0.331*** (0.120)	-0.386*** (0.080)	-0.505*** (0.108)	-0.309*** (0.114)
Pct. White	-0.112 (0.139)	-0.155* (0.092)	-0.232* (0.126)	-0.210* (0.122)
Metropolitan Tract?	2.201*** (0.120)	2.543*** (0.090)	2.521*** (0.117)	2.278*** (0.116)
Micropolitan Tract?	0.442*** (0.022)	0.444*** (0.018)	0.487*** (0.022)	0.401*** (0.024)
Low-Income Tract	-0.114 (0.110)	-0.080 (0.143)	0.107 (0.165)	-0.219 (0.160)
Num. Adj. Tracts Selected	-2.021*** (0.294)	0.140 (0.330)	-1.738*** (0.316)	0.401 (0.459)
Cong. Co-Partisan	-0.165 (0.116)	-0.269 (0.179)	-0.365** (0.183)	-0.186 (0.190)
GOP Gov.	0.286*** (0.054)	0.129*** (0.038)	0.335*** (0.050)	0.143*** (0.049)
State House Co-Partisan	0.058 (0.045)	-0.002 (0.038)	0.007 (0.043)	0.036 (0.144)
Ln(Population)	0.115 (0.074)	-0.008 (0.062)	0.015 (0.070)	0.001 (0.158)
Ln(S.H. Voteshare) x S.H. Voteshare2	-6.207*** (0.529)	-6.005*** (0.475)	-6.384*** (0.526)	-6.010*** (0.644)
Observations	15,001	28,800	18,518	16,126
Log Likelihood	-5,710.589	-11,207.890	-6,864.692	-6,310.390
Akaike Inf. Crit.	11,463.180	22,457.790	13,771.390	12,662.780
Bayesian Inf. Crit.	11,623.110	22,631.420	13,935.740	12,824.230

Note:

*p<0.1; **p<0.05; ***p<0.01

This all changes when trifectas release the Governor from the need to reach across the aisle. Under

trifectas, Democratic governors more than double their emphasis on the poverty rate while Republican governors no longer target poverty at all. The extra Republican emphasis on unemployment disappears, returning them to parity with their Democratic counterparts. Meanwhile, the Democratic targeting of non-white tracts also disappears.

We have a similar story when comparing term-limited governors to those that are eligible to stand for reelection. Among eligible governors, Democrats and Republicans strongly and equally target the poverty rate. They both further target the unemployment rate, but Republicans do so twice as strongly as Democrats. And Democratic governors target non-whites while Republican governors exhibit no racial targeting. And yet, when term limited, Democrats stop targeting non-whites and triple their emphasis on the poverty rate. Meanwhile, Republicans stop targeting the poverty rate and cease their extra attention to the unemployment rate.

Both unified control of the state legislature and being term-limited insulate the governor from the need to appeal to those with differing priorities, freeing the governor to pursue his or her preferences. For Democratic governors, this means exclusive focus on poverty. For Republican governors, it means exclusive focus on legislative coalition building. But in terms of coalitions, unified control and term-limits have very different effects. In all cases, Democratic governors refrain from coalition building while Republican governors actively pursue it. Republican governors facing divided government and those who remain eligible for reelection each focus heavily on Republicans within the state legislature, paying no significant attention to fellow Republican Congressmen. Republican governors enjoying unified state government continue to reward co-partisan in the state legislature but also significantly reward co-partisans in Congress. Most strikingly, term-limited Republican governors no longer pay significant attention to state legislators but give huge preference to the tracts of Republican Congressmen; seemingly an example of the term-limited governor's focus shifting from the statehouse to national politics.

Finally, we examine the extent to which governors seek to reward areas of the state that voted for them in the hopes of shoring up support for their next election. As shown in Table 5, we measure voter support for the governor with both the gubernatorial voteshare in the 2016 election, (Column 1), and Presidential

voteshare for the candidate representing the governor's party in the 2016 election, (Column 2), as a proxy for the overall partisanship of the census tract. As discussed previously, tract-level partisanship allows us to disentangle instances when a governor was supporting their own voters from cases of boosting a co-partisan in the legislature.

We find using both measures that governors did not reward likely supporters any differently. Null effects indicate that a census tract full of voters supporting the governor's own party were no more likely to be designated an Opportunity Zone than tracts full of their opponents—a null effect which persisted for governors of both parties. At least in the case of Opportunity Zones, we find governors focus primarily on rewarding copartisans both in Congress and in the State Legislature, though as we found before, those results differ by party. Referring back to the dilemma put forth by Dynes and Huber (2015), we find that governors are more likely to reward supportive members of a legislative body than supportive voters.

Conclusion

Intriguingly, whether our three hypotheses are borne out is a function of the party of the governor. In the instance where a governor's party does not control both state chambers and the governor is eligible for reelection, the targeting of opportunity zones is largely independent of the governor's party. But when relieved of electoral pressure due to ineligibility for reelection, or when relieved of pressure to cooperate with the other party by virtue of having a majority in both chambers, Democratic and Republican governors make starkly different choices. Republican governors cease to target tracts with higher levels of poverty and unemployment and focus entirely on co-partisans in the state and federal legislatures. On the other hand, Democratic governors double or triple their targeting of the poverty rate.

Thus all three hypotheses are confirmed for Republican governors: the absence of reelection pressure reduces stewardship, a competitive legislature leads the governor to act as ringleader, and freedom from both electoral and legislative pressures encourages the governor to satisfy the congressional delegation. On the other hand, none of the three hypotheses hold for Democratic governors. How do we interpret these strong differences in behavior?

Table 5:

	<i>Dependent variable:</i>	
	Tract Selected?	
	Gubernatorial Voteshare	Presidential Voteshare
	(1)	(2)
Gov. Voteshare x GOP Gov.	-0.00002 (0.002)	
Pres. Copartisan Voteshare x GOP Gov.		-0.001 (0.001)
Gov. Voteshare	-0.0005 (0.001)	
Pres. Copartisan Voteshare		0.001 (0.001)
Cong. Co-Partisan x GOP Gov.	1.616*** (0.231)	0.255*** (0.081)
State House Co-Partisan x GOP Gov.	-0.234 (0.472)	0.462** (0.191)
Cong. Co-Partisan	-2.049*** (0.151)	-0.530*** (0.058)
State House Co-Partisan	0.204 (0.373)	0.003 (0.165)
GOP Gov.	0.120 (1.005)	-0.339 (0.374)
Poverty Rate	0.075*** (0.003)	0.050*** (0.001)
Unemp. Rate	0.0001 (0.006)	0.038*** (0.002)
Pct. White	-0.029*** (0.002)	-0.012*** (0.001)
Metropolitan Tract?	-1.197*** (0.097)	-0.704*** (0.048)
Micropolitan Tract?	-1.021*** (0.078)	-0.759*** (0.045)
Low-Income Tract	3.396*** (0.080)	3.201*** (0.045)
Num. Adj. Tracts Selected	-0.244*** (0.020)	0.094*** (0.010)
Ln(Population)	0.424*** (0.053)	0.404*** (0.023)
Constant	-6.491*** (0.835)	-8.017*** (0.375)
Observations	60,520	158,373
Log Likelihood	-12,710.180	-44,587.620
Akaike Inf. Crit.	25,456.350	89,211.240
Bayesian Inf. Crit.	25,618.550	89,390.750

Note:

*p<0.1; **p<0.05; ***p<0.01

We see two promising potential explanations for these stark partisan differences. In the first account, Democratic and Republican party members, including governors, have fundamentally different views of politics and, as a result, the parties are conducive to and reward entirely different methods of coalition building. In this view, Democrats are focused on courting voters directly and/or demonstrating fealty to programmatic goals. Meanwhile, Republicans are attentive to party hierarchy and distribute benefits through elected officials. This view of the partisan differences we observe in the allocation of opportunity zones would generalize to other distributive programs.

A second account would focus on the fact that opportunity zones are specifically limited to economically distressed tracts. Because such tracts are more likely to vote Democratic, this limits the ability of Republican governors to directly reward supporters with this benefit. Meanwhile, Democratic governors are able to target their core constituents. In this view, it is the differential ability to target opportunity zones to core supporters (a desire documented in the US President by Kriner and Reeves 2015) that explains the partisan differences.

These results have important implications for both the literature on distributive politics and policy-making between the state and federal governments. Given the massive weight governors gave political considerations when implementing this poverty-targeted program, one might question whether elected officials are the best custodians of programs such as the Opportunity Zone tax credit. Our results show that executives are, first and foremost, politicians. When their role as care-taker of the public trust comes into conflict with, as Mayhew famously postulated, their “single-minded” quest for reelection, our results show that it is often the public trust which loses.

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