Where Does Opportunity Knock?
On doors that voted for the Executive.

Stan Oklobdzija & Cameron Shelton

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Keywords Opportunity Zones, Term Limits, Dual-constituency hypothesis.

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Where Does Opportunity Knock?

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Abstract:

The incomplete nature of legislation bestows on the executive branch the residual rights of control over implementation of public policy. The Trump Tax Bill of December 2017, which gave U.S. state governors a one-time opportunity to distribute a geographically-targeted federal tax incentive, provides a useful case-study to untangle the determinants of accountability. All 50 Governors were given the opportunity to designate census tracts within their state for preferential tax treatment. Within 120 days of passage, governors selected up to 25% of their eligible tracts, a short window that allows confident measurement of the political situation when the favor was distributed. We model a governors’ designation of tracts to maximize competing goals of mobilizing their voters, persuading swing voters, rewarding co-partisan legislators, and pursuing the programmatic goal of alleviating poverty. We then 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. Our results suggest that the executive accountability engendered by eligibility for reelection is weakened by the dual constituency hypothesis, especially in cases where programmatic intent conflicts with the governor’s political motives.

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1 Introduction

Legislation is necessarily incomplete, allowing executives discretion during implementation. While potentially enhancing efficiency by enabling the executive to tailor the policy to the specifics of time and place, the exercise of this discretion in pursuit of the executive’s personal goals may distort the distribution of public benefits from the social optimum. As several theoretical pieces have made clear, characterizing such distortions is relevant to various aspects of constitutional design such as the separation of powers, federalism, and term limits (Persson, Roland, and Tabellini 1997, Fuchs and Harold 2011, Besley 2006). Analyzing a recent US policy —the Opportunity Zone program which emanated from the 2017 Tax Cuts and Jobs Act —we show that while elections force governors to be accountable, they are accountable to their own constituency rather than the electorate as a whole, and such accountability depends on the degree to which programmatic goals align with the governor’s political aims.

Opportunity Zones (henceforth OZs) are a one-time geographically-targeted federal tax incentive in which the federal government indicated certain census tracts as eligible for preferential tax treatment after which state governors designated the subset of those eligible tracts that would actually receive the preferential status. Several aspects of the program make for an ideal setting in which to measure the causal relation between the constraints on the executive and the distribution of these benefits. The program’s development was exogenous to state-level conditions and eligibility criteria were identical across states. Each of the states’ 50 governors received an identical allocation of benefits to distribute. Governors were given scant notice of its passage and a narrow time-span within which to select which census tracts to reward. Finally, Governors were given sole control over the designation with no oversight from state legislatures. In short, Governors were simultaneously handed identical batches of cookies and told to choose who would get dessert.

We first model the relative value to a governor of designating one tract vs. another. We presume gubernatorial desire to simultaneously mobilize the base, target swing voters, reward legislative co-partisans, and pursue the programmatic intent of alleviating poverty. We allow two sources of asymmetric behavior between governors of different parties. The first is a presumed difference in the value ascribed to alleviating poverty. The second springs from a differing ability to simultaneously target poverty and reward co-partisans.
For a Democratic governor, these goals are not generally in conflict as higher poverty tracts are likely to be rich with Democratic voters and be represented by Democratic legislators. By contrast, Republican governors face a steeper tradeoff between faithfully executing the stated goal of the program and providing for co-partisans. As a result, by comparison with their Democratic counterparts, they place less emphasis on a tract’s poverty and more on whether it is represented by a co-partisan.

Our model maps directly into a structural equation that is easily estimated via a logistic regression on tract level data. By estimating the partial correlations between tract characteristics and probability of selection, we elucidate the governors’ perception of the relative value of various forms of political capital. Our empirical design can distinguish between the two hypothesized sources of partisan asymmetry and we find support for both. We can also map certain political conditions to particular components of the governor’s utility function. For instance, we presume that term limited governors no longer place weight on courting voters, focusing solely on rewarding legislative co-partisans (one must still pass legislation and connections can be useful in the next phase of a career) and, possibly, on the programmatic intent of alleviating poverty. Here too we find empirical support.

Several papers quantifying accountability find that term-limited office-holders are less accountable to voters and behave more according to their personal preferences (Figlio 1995, Ferraz and Finan 2011, Carey et al 2006). These results illustrate that upcoming elections induce executives to work for the electorate. But which electorate? Work on legislative voting (Mian, Suffi, Trebii 2010; Brunner, Ross, and Washington 2013; Levitt 1996) has found strong support for the dual constituency hypothesis (Fiorina 1974, Fenno 1978); the notion that politicians disproportionately reward constituents from their own party. Studies of executives have found evidence that executives distribute perks to both build support among their own voters (Kriner and Andrew 2012) and members of the legislative branch (Kousser and Phillips 2012). Moreover, Burden, Barry, and Howell (2010) find that U.S. federal funds are more likely to be spent in counties that supported the President, suggesting the dual constituency hypothesis also holds for executives. This would dampen the salutary effects of elections by limiting the extent of the public on whose behalf the executive is engendered to work. We believe we are the first to bring direct evidence of this intersection in a program where executive
influence is unfettered and undeniable.

Our results show that governors facing reelection, no matter what the party, are faithful to the stated goals of the program in that they are more likely to designate a tract the greater is the tract’s poverty rate. Nonetheless, this targeting of poverty is significantly stronger for Democratic governors. Moreover, from the Republican governors —where our theory suggests the effect is more likely to be identifiable—we see a willingness to dilute this programmatic goal so as to provide favors to legislative co-partisans.

Our model suggests this effect may be the result, not simply of ideological differences, but also of the differential targetability of the program. Opportunity zones, being clearly intended to alleviate poverty, are more easily targeted to the governor’s co-partisan voters and legislators when the governor is a Democrat. Thus, Republican governors face a starker tradeoff between their competing goals of rewarding co-partisans and following programmatic intent.

However, comparison of governors facing term limits —thus freed from the need to cater to voters and released to further personal ideology and networking —can only be explained by admitting that Republican governors, in strong contrast to Democratic governors, place little ideological weight on targeting poverty. While term-limited Democrats target poverty even more strongly, term-limited Republicans both reduce the targeting of poverty and shift their favors from State Assembly to Congressional co-partisans, suggesting they are focusing more on their own career prospects than faithful implementation of the program.

Finally, we show that the dual constituency hypothesis is alive and well; governors facing reelection tend to reward their own voters, even once we have controlled for the party of the legislative representative. Meanwhile, term-limited governors show insignificant favoritism, suggesting it was the prospect of reelection that drive the executive to court their own constituents.

We have thus estimated the effects of several sources of differing behavior: differences between term-limited and reelection-eligible governors; between governors who enjoy unified control of the legislature and thus sharing control with the opposite party; and between Republicans and Democrats. Across each of these shifter, the results are consistent with the theory, consistent with the idea that executives distribute
favors to balance multiple constituencies including voters, legislators, and partisan ideology. These results complicate the salutary effects of eligibility for reelection. While reelection engenders governors to moderate their ideological positions during allocation, governors display clear bias toward their own constituents. Furthermore, even in the face of reelection, faithful implementation of the program depends on alignment between the programmatic goals and the ideology of the executive.

Our approach carries several advantages over past work. First and foremost, the outcome in question is solely in the hands of the governor rather than the product of a bargain with the legislature (such as budgeting). Second, the outcome is neither a matter of personal effort nor is the choice in a context in which the executive can directly reward herself. The executive’s choices thus cleanly reveal to us which constituencies are of highest value to her, shedding light on a favoritism that surely colors myriad other decisions. Third, the clear nature of programmatic intent, coupled with the fact that this intent is clearly tilted towards the supporters of one party, allows us to confirm that the extent to which executive discretion leads to distortions depends on the alignment of executive preferences and programmatic intent. Fourth, the unique position of US state governors enables us to comment on the changing value of connections with the state and federal legislatures.

Our work contributes to several literatures. We confirm prior results on the deleterious effects of term limits on accountability (Besley and Case 1995; Alt, Bueno de Mesquita, and Rose 2011; Feraz and Finan 2011; Carey et al 2006), the clearest predecessor to our work being de Janvry, Finan, and Sadoulet 2012. Most importantly, we show that the dual constituency hypothesis offers an important qualification to the accountability induced by elections. Accountability not only requires elections, is also requires that the programmatic intent be aligned with the constituents the executive is courting for reelection. When term limited, governors push to the limits of their ideology and focus on their own career concerns within their party. But even when eligible for reelection, local executives have other goals and multiple constituencies. The extent to which these constituencies align with the program goals is relevant to the extent to which those goals will be diluted in pursuit of other aims.

Our results supporting the importance of differential targetability are, as best we can tell, new to this
literature. Nonetheless, the partisan asymmetries we find do fit nicely with papers on the asymmetry in the American party system which tend to argue that legitimacy within the Democratic party is connected to representing a group while legitimacy in the Republican party springs from connections to party leaders (Freeman 1986, Grossman and Hopkins 2015).

The plan of the paper is as follows. The following section provides more detail about opportunity zones and mentions two prior analyses of the zones selected along with relevant literature addressing distributive politics. Section III develops a formal model from which we derive testable hypotheses. Sections IV and V lay out the empirical design and describe the data. Section VI is a presentation of results. Section VII concludes.

2 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 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.” 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

\[1\) Up 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.
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 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.²

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.

To our knowledge, Glick and Palmer (2021) offer the only scholarly research article on Opportunity Zones besides our own. Also examining the allocation of Opportunity Zones at the census-tract level, they find no evidence that Governors consistently reward areas of their states where political supporters reside or that legislators of their party represent. Rather, they find that Governors consistently target high-poverty areas and also spread Opportunity Zones around the state to maximize the number of counties containing one. Later we offer an explanation as to why their specification failed to uncover the effect our more robust methodology identifies.

There is a second, earlier 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

²There is already evidence that state legislators representing districts that house one or more Opportunity Zones have claimed credit. 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.
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 median household income as a sufficient proxy. It is also possible that governors had more information. There is scattered evidence in news articles and tweets of governors receiving (both solicited and unsolicited) information from local authorities regarding their priorities.

3 Formal Model

With many constituencies to please, we presume that governors attempt to motivate their base, persuade swing voters, reward co-partisan legislators, and achieve their ideological goals which may include the programmatic goal of targeting poverty. Tracts differ in how much they contribute to each of these goals. Tracts with greater poverty are congruent with programmatic intent, tracts with many co-partisan voters may deliver greater electoral benefit via increased turnout, and tracts in districts held by legislative co-partisan offer credit-claiming opportunities. In navigating these trade-offs, certain correlations will break the symmetry between governors from different parties, delivering testable implications. To the extent that districts with greater need tend to be full of Democratic voters and represented by Democratic legislators, a Democratic governor faces a kinder trade-off, able to satisfy multiple goals with the same set of tracts. By contrast, a Republican governor must often choose between a tract that supports his co-partisans and one that promotes the goals of the program.

Distributions of Tracts

The governor will select for the program those tracts which will best promote their goals. We characterize tracts by along two dimensions: a level of need, \( n \), measured by poverty rate and a partisan leaning, \( v \), which we will think of as the two-party vote share (TPV) of the incumbent governor. We say that a tract is under control by party \( i \) when a member of party \( i \) holds the state Assembly seat to which the tract is districted.
Define $f_i(n,v), i \in \{D,R\}$ to be the probability density function describing the distribution of those tracts under the control of party $i$ by need, $n$, and TPV, $v$. Define the conditional distribution $f_i(v|n)$ as the distribution of TPV, $v$, for tracts under control of party $i$, at given need, $n$. Define $F_i(n) = \int f_i(n,v)dv$ to be the total weight of tracts at need $n$ under control of party $i$. We normalize so as to be discussing the fraction of tracts within the state. Thus, integration over all tracts sums to one: $\int (F_R(n) + F_D(n))dn = 1$.

We assume that poorer tracts are more likely to be represented by Democrats. Or rather, that the fraction of the tracts at a certain level of need which is under Democratic control is increasing with need. That is:

$$\frac{\partial}{\partial n} \left[ \frac{F_D(n)}{F_R(n)} \right] > 0 \quad (1)$$

We also assume that poorer tracts have more Democratic voters. That is, the share of Democratic voters is increasing with need. Specifically:

$$f_D(v|n) >_{FOSD} f_D(v|n') \iff n > n' \quad (2)$$

Figures 1 and 2 show strong support in the data for these assumptions.

We define $z_i^j(n,v)$ to be the fraction of tracts with need, $n$, and TPDV, $v$, under (state legislative) control of party $i$, that are selected for opportunity zones by a governor of party, $j$. We confine our analysis to eligible tracts, of which the governor must choose a fixed fraction, $\kappa$. Thus the governor’s budget constraint is written

$$\sum_i \int \int z_i^j(n,v) f_i(n)dn dv = \kappa \quad (3)$$

While the normalization is:
Figure 1: Each dot is a tract eligible for the Opportunity Zones program. There is a strong association between poverty rate and two-party democratic vote-share between poverty rates of 10% and 55%. These represent roughly the 10th and 97th percentiles of the eligible tracts. Thus it is clear the positive relationship holds in the bulk of the data.
Figure 2: Higher Poverty Tracts More Often Represented by Democrats
Utility

A governors’ utility function consists of four pieces: mobilizing of the party’s base (B), targeting swing voters (S), courting co-partisans in the legislature both to pass the governor’s legislative priorities and to build support and reputation within the party for future career opportunities (C), and ideological priorities which may include the programmatic goal of targeting poverty (I). For simplicity’s sake, we presume an additively separable utility function with weights, \( \gamma \), that may change with the political circumstances, and functional forms, \( g() \) that remain generic. We presume only that \( g' > 0, g'' < 0 \) for each of \( g_B, g_S, g_C, g_I \). The latter assumption represents diminishing returns in any single type of political capital.

\[
U^j = \gamma_S g_S(\cdot) + \gamma_B g_B(\cdot) + \gamma_C g_C(\cdot) + \gamma_I g_I(\cdot)
\]

The arguments to each of these functions are developed next.

Mobilizing the Base (B)

We presume that awarding an opportunity zone to a tract will increase the governor’s support from that tract (and only that tract) in the subsequent election. One effect is by increasing turnout among supporters, which is consistent with dual-constituency theory (Fiorina 1974, Fenno 1978). Thus, we presume an electoral benefit is proportional to the number of supporters in the tract, \( v \). Notice this intrinsically presumes all tracts have an equally responsive base and are of equal size, normalized to 1. Thus the argument of \( g_B(\cdot) \) is:

\[
\sum_{i=L,R} \int \int v_f(n, v)f_i(n, v)dndv
\]
Targeting Swing Voters (S)

The second potential electoral benefit from designation is the persuasion of swing voters from that tract. Figure 3 shows a positive correlation between a tract’s poverty rate and its Presidential vote share volatility over the period 2000-2020. Accordingly, we model the electoral benefit as a function of the total number of swing voters reached where each tract contains a number of swing voters, $s_i$ that is a linear function of need, $n$, and an unobserved component, $\tilde{s}$, that is orthogonal to both need and TPV. The argument of $g_S(\cdot)$ is:

$$
\sum_{i=L,R} \int \int s_i(n, v) z_i(n, v) f_i(n, v) dndv \\
(7)
$$

$$
\begin{align*}
    s_i(n, v) &= \phi n + \tilde{s}, \phi \in (0, 1)
\end{align*}
$$

Coalition building and career concerns (C)

We presume that legislators can claim credit with constituents for getting an opportunity zone designated in their district and are thus willing to offer in exchange either legislative cooperation or help with the next
phase of the governor’s career. Because we assume within-party homogeneity, the identity of the targeted
district is irrelevant. We presume that the dominant motive is to reward one’s co-partisans. But it is possible
that the weight, $\gamma_C$, may vary with the political necessity of doing so and could even be very low if the
governor must court opposition legislators. The argument of $g_C(\cdot)$ is:

$$\int \int z_{i=j}^{l}(n, v) f_{i=j}(n, v) dndv$$

(8)

Which tabulates the fraction of selected tracts that are controlled by the governor’s party.

**Targeting poverty (I)**

We presume that each party consists of homogeneous members. All Democrats are alike. All Republicans
are alike. One may take this as the dominant public ideology within the party; that which is necessary to
espouse to maximize one’s future role in the party; that which the governor probably believes maximizes the
public good. However, we wish to allow for asymmetry between parties in the degree to which the party
values the programmatic goal of targeting OZs to poverty.\(^3\) To make the differences stark, we presume
Democratic governors value targeting poverty while Republican governors value some unobserved component,
\(\tilde{r}(r)\), that is orthogonal to control, TPV, and need. Thus the ideological component to utility, the argument to
$g_P(\cdot)$, depends on the governor’s party:

$$\sum_{i=L,R} \int \int n z_{i}^{B}(n, v) f_{i}(n, v) dndv$$

$$\sum_{i=L,R} \int \int \tilde{r} z_{i}^{R}(n, v) f_{i}(n, v) dndv$$

(9)

For Democrats, this is simply the expected value of need, $n$, for the tracts selected. Diminishing returns to
$g_P(\cdot)$ presumes that, the more tracts the governor designates in areas of high need, the less politically costly it
is to divert a tract to an area of lesser need to fulfill alternate goals.

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\(^3\)Ideological differences are widely discussed. At present we have presumed structural symmetry. See Freeman 1986 and
Grossman-Hopkins 2015 for a discussion of structural asymmetries between Republicans and Democrats which we will touch on
briefly in the discussion as a possible rationale for $gamma_C$ differing by party.
The Governor’s Problem

We can now write down the maximization problem of the Democratic Governor (that of the Republican governor is quite similar).

\[
\max_{z^D_i(n,v), z_i^D(n,v)} \gamma_{BG} \left( \sum_{i=L,R} \int \int v z^D_i(n,v)f_i(n,v)dndv \right) \\
+ \gamma_{SGS} \left( \sum_{i=L,R} \int \int (\phi n + \tilde{s}) z^D_i(n,v)f_i(n,v)dndv \right) \\
+ \gamma_{CGC} \left( \int \int z^D_i(n,v)f_i=D(n,v)dndv \right) \\
+ \gamma_{GI} \left( \sum_{i=L,R} \int \int n z^D_i(n,v)f_i(n,v)dndv \right)
\]

(10)

subject to

\[
\sum_i \int \int z^D_i(n,v)f_i(n,v)dndv = \kappa
\]

\[
z^D_i(n,v) \in [0, 1] \forall i, n, v
\]

Each first order condition is with respect to \(z^D_i(n,v)\) for each \(i\), for a specific \(n\) and \(v\). Because tracts with higher \(n\) and higher \(v\) are strictly better, tracts are ordered in attractiveness to the governor. As a result, there is not an interior solution for \(z^D_i(n,v)\). At any point in \(n-v\) space, \(z\) will be either 0 or 1.

A solution is defined by a pair of loci in \(v-n\) space. Each locus defines a selection threshold. Below this threshold, tracts are not selected, \(z^D_i(n,v) = 0\), while above the threshold they are selected with certainty \(z^D_i(n,v) = 1\). Because utility depends on the control of the legislative district in which the designated tract is located, there will be different selection loci for tracts under own-party control and other-party control. Essentially, the governor will privilege his/her own party with a more lenient locus. All tracts along a selection threshold would yield equal marginal utility to the governor if selected. The total number of tracts above the
loci equals the number of tracts the governor is allowed to select, \(\kappa\).

By taking the generic first order conditions for \(z^D_{i=j}(n, v)\) and \(z^D_{i\neq j}(n, v)\) we can find the slope of the loci and infer certain testable hypotheses. The slope of the selection locus indicates how strongly the governor targets need and can be tested by running a logit of selection on the poverty rate. As we will see, this should vary by the party of the Governor, with Democrats targeting more strongly than Republicans. The difference between the own- and other-party loci can be measured by adding an intercept for party control of the state legislative district. This is also predicted to vary between parties. Finally, as the circumstances of the governor vary—such as those who are term-limited or those with unified control of government—so should the strength of these effects. Figure 4 illustrates.

Using \(\lambda_j\) as the Lagrange multiplier, the first order conditions are:

\[
z^D_{i=j}(n, v) : \gamma_B g'_B v^D_i + \gamma_S g'_S (\phi n + \bar{s}) + \gamma_C g'_C + \gamma_I g'_I n = \lambda_D, \quad if \ z^D_{i=j}(n, v) > 0 \tag{11}
\]

\[
z^D_{i\neq j}(n, v) : \gamma_B g'_B v^D_i + \gamma_S g'_S (\phi n + \bar{s}) + \gamma_I g'_I n = \lambda_D, \quad if \ z^D_{i\neq j}(n, v) > 0 \tag{12}
\]

We can rearrange to find the slope of the selection threshold loci in v-n space.

\[
n = \frac{\lambda_D}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} - \frac{\gamma_B g'_B (\phi)}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} v - \frac{\gamma_S g'_S (\phi)}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} \bar{s}, \quad i \neq j, j = D \tag{13}
\]

\[
n = \frac{\lambda_D - \gamma_C g'_C (\square)}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} - \frac{\gamma_B g'_B (\phi)}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} v - \frac{\gamma_S g'_S (\phi)}{\phi \gamma_S g'_S (\phi) + \gamma_I g'_I (\phi)} \bar{s}, \quad i = j, j = D \tag{14}
\]

Where \(\phi\) is the average need of the tracts selected, \(\phi\) is the average friendly vote share of the tracts selected, and \(\square\) is the fraction of tracts selected that are in own-party control. The Republican equivalents are:
\[ n = \frac{\lambda_R}{\phi \gamma S g_S'(\circ)} - \frac{\gamma B g_B'(\circ)}{\phi \gamma S g_S'(\circ)} v - \frac{\gamma I g_I'(\circ)}{\phi \gamma S g_S'(\circ)} \bar{r} + \frac{1}{\phi} \bar{s}, \quad i \neq j, \quad j = R \] (15)

\[ n = \frac{\lambda_R - \gamma C g_C'(\boxdot)}{\phi \gamma S g_S'(\circ)} - \frac{\gamma B g_B'(\circ)}{\phi \gamma S g_S'(\circ)} v - \frac{\gamma I g_I'(\circ)}{\phi \gamma S g_S'(\circ)} \bar{r} + \frac{1}{\phi} \bar{s}, \quad i = j, \quad j = R \] (16)

### 3.1 Hypotheses

Inspection of equations 13 through 16 in concert with assumptions 1 and 2 deliver several testable hypotheses.

**Hypothesis 1:** Republican governors will place less emphasis on poverty than Democratic governors.

**Proof:** We proceed by contradiction. If governors of both parties chose the same locus, then they would, for a given distribution of voters, \( f(n,v) \), have identical values of \( \circ \) and \( g'_P(\circ) \). Equation 2 implies that the Democratic governor will enjoy greater turnout benefit, because his voters are concentrated in the high-need tracts above the selection locus. By the assumption of diminishing returns, \( g''_V < 0 \), \( g'_V(\circ) \) will be lower for the democratic governor. Thus, for a given \( f(n,v) \), the same locus cannot be optimal for both Democratic and Republic governors. For the Republican governor, with higher marginal value of friendly voters, the optimal locus involves a greater willingness to sacrifice poverty for friendly voters. As the selection locus steepens in \( v-n \) space, this implies a weaker relationship between poverty and selection. Notice that the slope of the own- and other-party loci are identical, a consequence of the assumption of additively separable utility. Secondly and relatedly, the Republican loci have larger intercepts due to the lack of an ideological motivation in favor for poverty. For a given distribution of voters, the budget constraint necessitates a steeper slope to ensure the loci encompass the allotted fraction, \( \kappa \).

**Hypothesis 2:** Republican governors will place more emphasis on co-partisan control than Democratic governors.

**Proof:** Equation 1 implies that the Democratic governor would enjoy a greater number of designated tracts
under co-partisan control and thus a higher value of □ and lower value of $g_C'(\square)$. It follows from equations 13 through 16 that the gap between the loci is smaller for the Democrat than the Republican. As a result, a regression of selection on poverty and control should reveal a larger coefficient on control for Republican governors.

**Hypothesis 3a**: Term-limited Republicans will place less emphasis on need.

**Proof**: We presume that being term-limited reduces the governor’s interest in getting out the vote, represented by $\gamma _B, \gamma _S \to 0$. Equations 15 and 16 show this will steepen the slope of both selection loci, meaning need is less determinative of selection.

**Hypothesis 3b**: Term-limited Democrats will place more emphasis on need.

**Proof**: With the weight on $v$ going to zero, selection becomes entirely about poverty.

**Hypothesis 3c**: Term-limited Democrats will place more emphasis on priviledging co-partisans.

**Proof**: The denominator of the intercept term lessens, widening the gap between the intercepts of the own- and other-party loci.

**Hypothesis 4**: Under unified government, Republican governors will place less weight on poverty.

**Proof**: We presume that enjoying unified government reduces the need to court swing voters: $\gamma \to 0$. In the limit, the selection locus becomes vertical, meaning poverty is irrelevant.

Our final hypothesis does not relate directly to the model, because we do not explicitly model the relative merits of courting state assembly members and congressional representatives. We believe being term-limited will shift a governor’s focus from passing legislation to future career concerns. As such, it would likely shift emphasis from state assembly members to Congressional representatives as the latter are more powerful allies within the party. We have no reason to believe this effect would differ by party of the governor. However, our theory suggests, as noted in hypothesis 1, that Democratic governors’ need not give special consideration to their own co-partisans as they will receive adequate attention from a focus on need. Thus we
Figure 4: Selection loci in n-v space.

may have difficulty observing this effect among Democratic governors.

**Hypothesis 5**: Term-limited Governors will shift emphasis from state legislative co-partisans to Congressional co-partisans.

## 4 Empirical Design

Each of these hypotheses suggests that probability of selection is a function of need and whether the tract is located in a district controlled by a co-partisan of the governor. This suggests a bi-variate logistic regression. The hypotheses also suggest that the coefficients should vary by the party of the governor and the circumstances the governor is facing (e.g. term limited, divided government). Thus the probability that tract \( k \) in state assembly district \( d \) in state \( s \) is selected, \( Y_{kds} = 1 \), is a sigmoid function of a constant, a shifter due to the binary variable of whether the tract is within a co-partisan’s district, measures of need, and a vector of controls, \( \mathbf{X} \), including log of tract population, % white, and urbanity, whether it is a low-income or low-income adjacent tract (equation 17). Political data are compiled by Klarner (2018) while demographic
data come from the American Community Survey.\(^4\)

\[
(Y_{kds} = 1) = S_b(\beta_0 + \beta_1 \text{Copartisan} + \beta_2 \text{Need} + \beta X + Y W + \epsilon_s + \epsilon_d + \epsilon_k)
\] (17)

We use interaction effects to investigate differences arising from the partisan affiliation of the governor and 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 and whether the governor’s party controls both chambers of the legislature.

The sample consists of the 42,176 tracts designated as eligible by the Federal government. The dependent variable is a binary indicator of whether the tract was selected by the state governor. Many tracts are split across multiple legislative districts. The lone independent variable at the district level is an indicator of whether the governor and legislator are of the same party. Where tracts include multiple districts we take the fraction of legislators of the same party as the governor. These data were compiled by the Urban Institute, which has written extensively on opportunity zones. (citation?)

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.\(^5\)

\(^4\)In preliminary specifications, we also included the representative’s vote-share in the prior election, and the legislator’s seniority in the chamber. Because there is extremely high covariance between the partisan vote-shares for a tract’s upper and lower chamber representatives, we included only the representative from the lower chamber. In these specifications using the vote-share of the incumbent assembly member, we excluded states with multi-member districts. Surprisingly, such variables were not significant. Unfortunately, while the theory suggests its incorporation, we do not have sufficient coverage for tract-level gubernatorial vote-share data. See the sample size on column 1 of table 4

\(^5\)OLS results are available in the appendix.
We have reason to believe our data are characterized by spatial auto-correlation. Maps of the designated zones (e.g. Figure 5) 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 tracts. The 5% 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, $\mathbf{Y}$, 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.
5 Data

Nebraska is not in our sample because the state does not report the partisan affiliation of state legislators. We drop Alaska because the governor at the time was not affiliated with either major party. Among the 48 State Governors in our sample for the first quarter of 2018, there were 32 Republicans and 16 Democrats. 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 41 members (Delaware) 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 low-income 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 (or adjacency), 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 frequently urban.

Figure 5 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 5 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
Figure 5: Tract eligibility and selection in Missouri.
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.

6 Results

We first show the importance of accounting for spatial autocorrelation and the effects of state and district FE (Table 1). 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 4,117 in our sample because many districts do not contain any tracts that met the eligibility criteria or were from the two omitted states.
Table 1: The Importance of Spatial Autocorrelation and Multi-level Random Effects

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rate (%)</td>
<td></td>
<td>1.030**</td>
<td>1.023**</td>
<td>1.034**</td>
<td>1.025**</td>
</tr>
<tr>
<td>Caucasian (%)</td>
<td></td>
<td>0.999*</td>
<td>1.003**</td>
<td>0.998*</td>
<td>1.003**</td>
</tr>
<tr>
<td>Ln [ tract population]</td>
<td></td>
<td>1.118**</td>
<td>1.230**</td>
<td>1.144**</td>
<td>1.225**</td>
</tr>
<tr>
<td>Tract within a Metropolitan Area</td>
<td></td>
<td>0.569**</td>
<td>0.554**</td>
<td>0.541**</td>
<td>0.537**</td>
</tr>
<tr>
<td>Tract within a Micropolitan Area</td>
<td></td>
<td>0.881*</td>
<td>0.876*</td>
<td>0.907</td>
<td>0.877*</td>
</tr>
<tr>
<td>Adjacent tracts selected</td>
<td></td>
<td>1.671**</td>
<td></td>
<td>1.663**</td>
<td></td>
</tr>
<tr>
<td>Low-income tract</td>
<td></td>
<td>9.909**</td>
<td>11.04**</td>
<td>10.40**</td>
<td>11.04**</td>
</tr>
<tr>
<td>Constant</td>
<td></td>
<td>0.00711**</td>
<td>0.00167**</td>
<td>0.00501**</td>
<td>0.00165**</td>
</tr>
<tr>
<td>Observations</td>
<td></td>
<td>40,702</td>
<td>40,701</td>
<td>40,693</td>
<td>40,693</td>
</tr>
<tr>
<td>Number of State Legislative districts</td>
<td></td>
<td></td>
<td></td>
<td>4117</td>
<td>4117</td>
</tr>
</tbody>
</table>

Standard errors in parentheses: ** p<0.01, * p<0.05
Three things are clear. First, spatial autocorrelation is, as expected, very strong. Each additional neighboring tract selected increases the odds of selection by 67%, a result that remains across all our later complex specifications. Second, the state and district FE are significant but tend to have quite modest impact on the estimates of other effects. 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 increases the odds of designation by 2.3 percentage points. The inter-quartile range of poverty rates among the eligible tracts is [13.3%, 28.9%] implying that a tract with 75th percentile poverty is 42.6 percent more likely to be designated than a tract with 25th percentile poverty. In other words, even among the tracts deemed eligible because they are relatively poor, the poorest were 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. We interact each demographic variable with the party of the governor (Table 2, column 1). Relative to their Democratic counterparts, Republican governors target poverty half as strongly, consistent with hypothesis one. At this point, as discussed in our development of hypothesis one above, partisan differences could be due either to partisan differences in adherence to the programmatic intent, or to the differential ability to simultaneously implement programmatic intent and reward co-partisans. Later results from the analysis of term limits will require partisan differences in ideology.

Our next question is whether governors reward co-partisans in the state and federal legislatures. We find exactly the stark difference by party which is predicted by our theory and constitutes our second hypothesis (Table 2, column 2). Democratic governors do not systematically target co-partisans (above and beyond what they can achieve simply by targeting poverty.). However, Republican governors are significantly more likely to designate a tract if that tract is represented by a Republican in the state or federal legislature: 26.4 and 21.2 percentage points respectively. This is a very large effect; the former is equivalent to a 14.4 percentage point increase in the poverty rate. Notice that we can rule out the possibility that this is a

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6The high colinearity between demographics and the party of a district’s representative requires dropping %white for these specifications.
Table 2: Republican Governors Aid Republican Legislators

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Indicator: Tract Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimator</td>
<td>Logit: Odds Ratios Reported</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty rate (%)</td>
<td>1.035** (0.002)</td>
<td>1.034** (0.003)</td>
<td>1.038** (0.003)</td>
</tr>
<tr>
<td>Poverty Rate * Rep. Gov.</td>
<td>0.983** (0.003)</td>
<td>0.983** (0.003)</td>
<td>0.977** (0.004)</td>
</tr>
<tr>
<td>Congressional copartisan</td>
<td>1.037 (0.075)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congressional copartisan * Rep. Gov.</td>
<td>1.212* (0.110)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Assembly copartisan</td>
<td>1.089 (0.080)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assembly copartisan * Rep. Gov.</td>
<td>1.264* (0.116)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Income Tract</td>
<td>7.140** (0.807)</td>
<td>6.533** (0.836)</td>
<td>5.272** (0.771)</td>
</tr>
<tr>
<td>Low Income Tract * Rep. Gov.</td>
<td>1.986** (0.306)</td>
<td>2.808** (0.512)</td>
<td>4.154** (0.941)</td>
</tr>
<tr>
<td>Assemblyman voteshare (α)</td>
<td></td>
<td>0.956 (0.206)</td>
<td></td>
</tr>
<tr>
<td>Ass. VS * Rep. Gov. (β)</td>
<td></td>
<td>0.777 (0.212)</td>
<td></td>
</tr>
<tr>
<td>Ass. VS. * Rep. Assemblyman (γ)</td>
<td></td>
<td>1.211 (0.121)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.00341** (0.001)</td>
<td>0.00303** (0.001)</td>
<td>0.00463** (0.002)</td>
</tr>
<tr>
<td>Observations</td>
<td>40,693</td>
<td>32,330</td>
<td>20,709</td>
</tr>
<tr>
<td>Test α * β * γ * δ = 1: F statistic</td>
<td></td>
<td></td>
<td>2.99</td>
</tr>
<tr>
<td>p-value</td>
<td></td>
<td></td>
<td>0.084</td>
</tr>
</tbody>
</table>

Standard errors in parentheses: ** p<0.01, * p<0.05
Additional controls: tract population, metro, micro, unemp. rate, number of adjacent tracts
targeting of rural districts as we control for population and the census categorization of the tract as metro, micro, or rural. 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 the reverse. Republican governors tend to designate tracts in districts where their state Assembly co-partisans had large vote shares in the prior election. (See the F test at the bottom of Table 4, column 3). That is, Republican governors cite opportunity zones in safely Republican districts. A 10 percentage point increase in vote-share of a Republican Assembly member leads to a 3.2 percentage point rise in the probability a Republican governor will designate tracts in their district. This is equivalent to a 1.9 percentage point increase in the poverty rate, representing a moderate favoritism. It would seem a governor prefers to bank favors she knows can be repaid. Mindful that the process might be driven by outliers, we repeat the specification from table 2, column [2] while dropping each state in turn. Figure 6 displays the results, which make clear that no single state is driving the sample.

Now we distinguish between term-limited governors and those eligible for reelection. We rerun the specification from Table 2, column 2 with all independent variables interacted with each of these indicators in turn. When eligible for reelection, both Democratic and Republican Governors target the Poverty Rate equally (Table 3). But when term limited, Democrats nearly triple their responsiveness to it while Republican emphasis on poverty slightly declines. For a softer relief of electoral pressure, we also estimate the case where the governor’s party enjoys unified control of the legislature, implying within-state dominance of her party. We find the same story: massive increase in Democratic targeting of poverty with a modest decline from Republicans. These results can’t be explained by our model without the ideological differences postulated in the gamma-I term.

Term limits and unified government also change the extent to which Republican governors target copartisans in the state and federal legislatures, in the manner predicted by hypothesis 5. A term-limited Republican governor no longer targets state assembly copartisans (Table 3 column 1, test $\alpha * \beta=1$) but
Figure 7: Dropping one state at a time, we repeat specification [2] from Table 2. The coefficients from each sub-sample are within the confidence interval and reasonably close to the full sample value.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PovertyRate</td>
<td>1.022** (0.003)</td>
<td>1.021** (0.003)</td>
</tr>
<tr>
<td>PovertyRate * Rep Gov</td>
<td>0.994 (0.004)</td>
<td>1.022** (0.006)</td>
</tr>
<tr>
<td>Poverty Rate * _____</td>
<td>1.039** (0.006)</td>
<td>1.034** (0.005)</td>
</tr>
<tr>
<td>Poverty Rate * _____ * Rep. Gov.</td>
<td>0.967** (0.006)</td>
<td>0.939** (0.007)</td>
</tr>
<tr>
<td>Rep. Assemblyman</td>
<td>1.036 (0.092)</td>
<td>1.058 (0.096)</td>
</tr>
<tr>
<td>Rep Assemblyman * _____</td>
<td>1.025 (0.168)</td>
<td>0.94 (0.153)</td>
</tr>
<tr>
<td>Rep. Gov. * Rep. Ass. (α)</td>
<td>1.535** (0.182)</td>
<td>1.590* (0.304)</td>
</tr>
<tr>
<td>Rep Gov * Rep Ass * _____ (β)</td>
<td>0.698 (0.139)</td>
<td>0.842 (0.204)</td>
</tr>
<tr>
<td>Rep. Congressman</td>
<td>1.066 (0.093)</td>
<td>1.019 (0.094)</td>
</tr>
<tr>
<td>Rep Congressman * _____</td>
<td>0.869 (0.146)</td>
<td>1.088 (0.179)</td>
</tr>
<tr>
<td>Rep. Gov. * Rep Cong. (γ)</td>
<td>1.136 (0.133)</td>
<td>1.098 (0.217)</td>
</tr>
<tr>
<td>Rep Gov * Rep Cong. * _____ (δ)</td>
<td>1.249 (0.253)</td>
<td>1.016 (0.252)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.00417** (0.002)</td>
<td>0.00578** (0.003)</td>
</tr>
</tbody>
</table>

Observations: 32,330

Test α * β = 1: chi² = 0.18, p = 0.668
Test γ * δ = 1: chi² = 4.48**, p = 0.034

Standard errors in parentheses: ** p<0.01, * p<0.05
Specification is the same as table 4 plus the full set of interactions with the Term Limits or Trifecta. Many terms not shown to focus on results of interest.
strongly rewards Congressional copartisans (Table 3 column 1, test $\gamma \ast \delta = 1$). Meanwhile, a Republican governor with control of both chambers of the state legislature strongly rewards those legislative copartisans as their support is critical for passage of future legislation (Table 3 column 2, test $\alpha \ast \beta = 1$).

Finally, to address the heart of our contention that the dual-constituency hypothesis complicates electoral accountability, 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. Because precinct level gubernatorial data is sparse, available only for the 9 governors’ races in 2016, we measure the county-level vote-share of the incumbent governor in the most recent gubernatorial race in every state. As discussed previously, local partisanship allows us to disentangle instances when a governor was supporting their own voters from cases of boosting a co-partisan in the legislature, addressing the identification dilemma noted by Huber and Dynes (2015). The results (Table 4, column 2) show clearly that governors targeted their own supporters for OZs. Most importantly, this targeting of one’s own supporters was not undertaken by term-limited governors (see the test statistic for column 3). Moreover, by comparing the first column with the other two, we can see that the roughly half the targeting of legislative co-partisans is due to the targeting of co-partisan voters, providing a direct answer to Huber and Dynes’ question.

There are several possible explanations as to why our analysis found consistent partisan favoritism in the selection of Qualified Opportunity Zones while Glick and Palmer (2021) failed to do so. First, Glick and Palmer model the propensity to select a given qualified tract with a standard OLS function with state fixed-effects. Our nested random-effects model also includes a control for spatial autocorrelation which as Table 1 demonstrates, has a strong effect on the estimated coefficients. It is possible that attenuation is leading to Type II error in their specification. Further, their choice to split the sample by party to determine whether governors of a certain party privilege copartisans in the state legislature results in a subtly different exercise. Splitting the sample by party estimates whether Democrats or Republicans are more likely to place Opportunity Zones in the districts of their copartisans relative to state legislators of the opposite party. Our specification measures whether Republican governors are more or less likely to reward a copartisan lawmaker with an Opportunity Zone relative to a governor of the opposite party. The latter
Table 4: Voters or Legislators?

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Indicator: Tract Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimator</td>
<td>Logit: Odds Ratios Reported</td>
</tr>
<tr>
<td>Poverty rate (%)</td>
<td>1.035** (0.002) 1.035** (0.002)</td>
</tr>
<tr>
<td>Poverty Rate * Rep. Gov.</td>
<td>0.983** (0.003) 0.983** (0.003)</td>
</tr>
<tr>
<td>State Assembly copartisan</td>
<td>1.181* (0.081) 1.179* (0.080)</td>
</tr>
<tr>
<td>Assembly copartisan * Rep. Gov.</td>
<td>1.217* (0.115) 1.221* (0.115)</td>
</tr>
<tr>
<td>Gubernatorial voteshare in county ()</td>
<td>1.444* (0.217) 1.520** (0.234)</td>
</tr>
<tr>
<td>Gub. voteshare * term limited</td>
<td>0.832 (0.102)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.00250** (0.001) 0.00249** (0.001)</td>
</tr>
<tr>
<td>Observations</td>
<td>32,979 32,979</td>
</tr>
<tr>
<td>Test * = 1: chi2</td>
<td>1.88 0.170</td>
</tr>
</tbody>
</table>

Standard errors in parentheses: ** p<0.01, * p<0.05
Additional controls: tract population, metro, micro, unemp. rate, number of adjacent tracts

is the relevant question to test our theory explaining why Republican governors would act differently than their Democratic counterparts. Isolating and understanding the between-party differences is more relevant to studies of executive particularism than simply whether or not such favoritism exists in the aggregate.

As a final point, we find our method of dealing with the possible influence of outlier states, (depicted in Figure 6), to be more robust than Glick and Palmer’s choice to simply drop California and Texas, the largest Democratic and Republican states in terms of census tracts respectively. Given an increasingly nationalized politics (Hopkins 2018), the “flagship” states are not likely to be outliers within their parties.

Conclusion

The incomplete nature of legislation bestows on the executive branch the residual rights of control over implementation of public policy. While one literature quantifies the role of elections in engendering accountability and responsible stewardship, a separate literature notes that politicians often privilege their own supporters. This dual-constituency hypothesis limits the extent to which elections engender responsible
stewardship. Even when executives are eligible for reelection, policy is skewed to co-partisans. As we illustrate in figure 8, the effect can be large.

Our model provides a clean analytic framework combining differential targetability with other motives, resulting in hypotheses that map cleanly to the data. The model makes clear that the targeting of legislative co-partisans by Republican governors but not Democratic governors might simply be a result of the differential targetability of the policy in question rather than structural differences between the parties.

Ultimately, our results point to several factors that affect accountability. We reiterate the widespread finding that term-limits reduce attention paid to voters, enabling the executive to pursue ideological and career goals. And we note that unified government, as an indication of electoral safety, has some of the same effects. However, we point out this isn’t necessarily inefficient as programmatic intent and partisan ideology may align (as they do under Democratic governors in the case of Opportunity Zones). We further note that electoral accountability is biased towards localities that supported the governor, undermining its salutary effects. Thus, we are left with the sense that electoral accountability is not completely pure while those accountable only to party ideology and career prospects may nonetheless do good.

Works Cited


