Unions, Parties, and the Politics of State Government Legacy Cost

Daniel DiSalvo
Associate Professor
Department of Political Science
City College of New York-CUNY

Jeffrey Kucik
Assistant Professor
School of Government and Public Policy
University of Arizona

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ABSTRACT

Many American state governments have made extensive promises to pay for employees' healthcare and other benefits in retirement. Currently estimated at over $1 trillion in unfunded liabilities, these other-post employment benefits (OPEB) are creating a major fiscal problem for state governments. In this article, we examine the politics of OPEB. We seek to explain the variation in the generosity of OPEB across U.S. states. We argue that party competition theories do not adequately explain the outcomes we observe. Instead, we draw on the emerging Schattschniederian approach to the politics of public policy to show that public union strength conditions a party's incentives to represent unions' interests. In states where public sector unions are strong, unions can find their way into either party's coalition. We find that Republicans are more responsive to public union interests than either their ideological brand or prior research would suggest. It is only in states where public employees are weak that Republicans can act unilaterally and enact their preference for less government spending. To test our theories, we carry out an empirical analysis using a newly assembled data set of per capita OPEB liabilities across 49 states.

Key Words: retiree healthcare, public sector unions, state governments, state parties, employee benefits

The Great Recession of 2008 placed enormous financial stress on America's state governments. Tax revenues fell at the same time that states were required to spend more on public welfare and to assist the newly unemployed. Major political battles ensued over public employee compensation, collective bargaining, pensions, and taxes. Ten years after the recession state governments still face significant challenges providing citizens with ample services (Kiewiet and McCubbins 2014). The largest fiscal challenge is managing "legacy costs," which are comprised of pensions and other post-employment retiree benefits (OPEB). OPEB is primarily the healthcare coverage public employees receive in retirement (Moody's 2006, Borger et al. 2006).[1] Legacy costs have been rising across the U.S., squeezing state budgets and constraining state governments' ability to address other policy priorities.

While pensions receive the lion's share of attention from the media, OPEB is equally important. The long-term bill for OPEB is now estimated at $1.1 trillion dollars for state and local governments (Lutz and Sheiner 2014, Munnell, Aubry, and Crawford 2016). While that sum is less than the estimated $4.8 trillion in pension liabilities, it is substantial (Rauh 2016, Novy-Marx and Rauh 2014, Novy-Marx and Rauh 2011). To put the magnitude of these costs in perspective, the average per capita OPEB liability across the U.S. was $2,006 in 2014, or roughly 4% of the average income of $47,621. OPEB now ranks just below federal entitlements and public pensions as the biggest fiscal challenge facing American government.

One reason OPEB has received less attention is that state and local governments were not required to report their liabilities prior to 2008. However, rule changes by the Government Accounting Standards Board (GASB) forced states and local governments to disclose their liabilities on a consistent basis beginning in 2010. The new data reveals significant variation in

[1] Throughout this paper we use OPEB and retiree healthcare as interchangeable terms.

the generosity of OPEB benefits states offer (see Figure 1). In light of these disparities, we ask: What explains variation in OPEB liabilities?

We examine the role interest groups and political parties play in public policy formation. We adopt what Hacker and Pierson (2014) label the "Schattschneiderian approach" (after E.E. Schattschneider). This approach views political parties as coalitions of "intense policy demanders"—i.e., informal collections of interest groups and politicians that join together to seek specific policy outcomes (Bawn, et al. 2012). It differs from other party-based explanations of the politics of public policy, which focus on how office-seeking parties vie for the support of the median voter. The virtues of the Schattschneiderian framework are that it links political parties closely to organized interest groups and draws attention to how a policy's unique features help structure its politics (Wilson 1995). As a result, this approach provides a fuller account of where preferences come from *and* how those preferences get translated into policy.

Regarding OPEB, the relevant interest group is public sector unions. Unions are incentivized to secure better pay, benefits, and working conditions for their members through collective bargaining, political activity, or both (Flavin and Hartney 2015, DiSalvo 2015, Moe 2011, Hartney and Flavin 2011). Because higher salaries, better benefits and enhanced working conditions cost money, studies show that public sector unions drive up the cost of government (Anzia and Moe 2015). Union leadership has strong incentives to seek to enhance their members' material well-being, while any potential opposition faces difficult collective action problems. Consequently, there are few (if any) organized interests that consistently push back against public unions' demands and, even for those that do, it tends to be a small or ancillary part of their agenda. The absence of strong opposition has an important policy implication: as the strength of public sector unions increases, OPEB liabilities ought to increase.

However, interest group preferences are only part of the story. Political parties and features of the policy itself both matter for who wins and how. Unions cannot expand benefits unchecked. Their ability to increase benefits depends on whether they are part of the majority legislative party's coalition. State legislatures control OPEB plans for a wide swath of public employees. These include employees of the state government but also the employees of some local governments whose benefits are subsidized heavily by the state. States also create and sustain the labor policy framework through which public unions pursue their interests and which often determines their ability to secure more generous retiree medical benefits.

How are these preferences translated into policy? Unions are typically embedded in Democratic Party coalitions. The party has a long-standing alliance with organized labor. In 2012, over 40 percent of delegates to the Democratic National Convention were government employees. The Democratic Party also has an ideological commitment to an expanded role for government in the marketplace, including the provision of public benefits. Therefore, public sector unions are typically an important part of the Democratic Party coalition in many states (DiSalvo 2015; Moe 2011; West 2008).

Variation is more prevalent in states with a Republican majority. Republicans will seek to curb public sector expenditures and reduce OPEB benefits because they prefer smaller government and greater austerity. However, Republicans are not entirely immune to union influence, which can be driven by party interests in gaining (or maintaining) majorities and individual legislators' interest in reelection. State Republicans parties will broaden their coalition when they have incentives to do so—and these parties are often aligned with unions representing police, corrections officers, and firefighters. Individual Republican legislators also sometimes benefit from supporting union positions. Whether driven by party or individual legislators' goals,

our argument is that these incentives are conditioned by union strength—defined as the percentage of public workers in the state who belong to unions. Unions provide vital resources to parties and candidates for office, not least of which are campaign contributions and get-out-the-vote operations. Where these unions are strong, Republican legislators will represent preferences for expanded OPEB in an effort to harness unions' support.

The argument generates testable predictions. In states where public sector unions are strong, unions can find their way into either party's coalition. It is only in states where public employees are weak that Republicans can unilaterally enact their preference for less spending. Below we pay particular attention to the features of OPEB that shape the politics around it. These features—such as asymmetric information and deferred payment—help explain the alignment we observe in some states between unions and Republicans.

To test our predictions, we assemble the most complete record of states' OPEB liabilities to date. It covers the post-recession period from 2010-2014. We find strong evidence that union strength and party control interact to determine OPEB policy. Most strikingly, Republican legislatures are associated with high liabilities in states with strong public sector unions. The baseline estimates are robust to a variety of additional tests, including controls for divided government, legislative polarization, and turnover in party control. Our tests also consider the legal environment that shapes the interactions between interest groups and politicians. We find that states with duty to bargain laws—which oblige state governments to negotiate with unions—are associated with more generous OPEB packages.

This paper offers the first analysis of OPEB nationwide and over time. The findings comport in key respects with Anzia and Moe's (2016) recent analysis of the politics of public sector pensions. While more research is needed, these two studies suggest a useful way to

understand the politics of legacy costs in state government. Our contribution is showing how a powerful organized interest can interact with policymakers to expand state government spending. The result is a clearer picture of public employee retirement benefits, which is among American state governments' most pressing fiscal challenges.

What is OPEB?

Very little work by political scientists has been done on states' legacy costs—and virtually none on the politics of retiree healthcare. Economists, actuaries, or public administration scholars have produced almost all of the work on OPEB to date (e.g. Clemens and Cutler 2014, Coggburn and Kearney 2010, Clark and Sandler Morrill 2011, Marlowe 2007). Those analyses focus on the value of retiree healthcare commitments and on how benefits might help attract and retain public employees. Our analysis is the first to address the politics of OPEB.

Much of public employee compensation is back-loaded into retirement. State and local governments defer the full cost of public services by promising their employees future benefits. Today, U.S. state and local governments employ 19 million workers. Around 70 percent qualify for some form of post-employment retirement benefits (U.S. Department of Labor, 2015). These benefits usually include healthcare, although they can also involve vision and dental care as well as life insurance. Of OPEB's component parts, healthcare is by far the biggest cost to states.

OPEB differs significantly from other legacy costs such as pensions. Unlike a pension, retiree healthcare is a "non-cash" benefit. It is valuable to retirees in poor health, but it goes largely unused if retirees remain healthy. In legal terms, OPEB is a "status benefit." Once workers attain a certain status, usually a certain number of years on the job, they qualify

automatically. Typically, all eligible employees receive the same benefit. In a pension system, by contrast, benefits vary based on salary, job title, and years of experience.

In addition, OPEB is generally not "pre-funded." While a few states have established trusts to commit money to OPEB ahead of time, most states continue to fund OPEB on a pay-as-you go basis. Unlike pensions, no money (or very little) is placed in a legally inviolable trust and then invested in the stock market. Since OPEB is not a set payout, governments tend to fund their OPEB costs out of current operating budgets.[2] Finally, while there is some standardization of pension systems nationwide, OPEB varies widely. For example, in Massachusetts the most popular plan costs about $7,800 a year, in Connecticut it is about $11,000, and in California public employees can qualify for a healthcare benefit valued at $19,300.[3]

These features of OPEB all contribute to wide variation in total liabilities across U.S. states.[4] Figure 1 shows the average OPEB liabilities per capita for the ten states with the highest and lowest liabilities. Average liabilities between the two groups differ by $5,200.[5] These differences are an artifact of how OPEB policy is formed. Individual governments decide which

[2] In a 2016 report on OPEB, Pew noted that most states pre-fund less than 10% of their total liabilities ("State Retiree Health Plan Spending," Pew Charitable Trusts). This trait has implications for our measurements, which we discuss below. In short, it means that OPEB liabilities are not subject to the same accounting assumptions as pensions.

[3] Aon Hewitt, "Commonwealth of Massachusetts Postemployment Benefit Other than Pensions Actuarial Valuation Fiscal Year Ending June 30, 2015, January 1, 2015, Valuation Date," December 3, 2015, pp. 23, 36, 38, 52; "2014 Annual Report Commonwealth of Massachusetts Public Employee Retirement Administration Commission," p. 99. Segal Consulting, "State of Connecticut Other Post-Employment Benefits Program, Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2013, in accordance with GASB Statements No. 43 and No. 45," February 20, 2014, pp. 32–33, 35. Gabriel Roeder Smith & Company, "State of California Retiree Health Benefits Program GASB Nos. 43 and 45 Actuarial Valuation Report as of June 30, 2015," January 26, 2016, pp. 32–33.

[4] We examine total liabilities in this paper rather than just unfunded liabilities. These numbers are closely related since the majority of plans are almost entirely unfunded (typically less than 10%). Nevertheless, pre-funding potentially allows states to report lower liabilities. We avoid this worry by looking at total liabilities, detailing the fuller scope of states' obligations.

[5] The ten least generous states have liabilities of only $140 per person [SD: 44.22]. The ten most generous states offer $5,370 [SD: 3,083], representing a significant gulf between what states provide to their public employees.

benefits to offer and how to fund them.[6] State governments exercise ultimate authority over OPEB policy and can choose to modify it, eliminate it, or delegate its negotiation to a collective bargaining process. For instance, after the passage of Governor Scott Walker's Act 10 in Wisconsin, which eliminated healthcare as a subject of collective bargaining, state OPEB costs fell from $128 million in 2011 to $77 million in 2012—and have stayed at roughly that level.[7] Therefore, understanding the politics of legacy costs requires an account of state legislatures, the parties that control them, and the interest groups that compose a party's coalitions.

Theories of Policymaking

What explains variation in OPEB liabilities? Existing theories highlight the role played by parties. These theories often invoke Downs' "median voter theorem." According to that logic, office-seeking politicians in a two-party system craft a "brand" to appeal to the center of the ideological distribution (Downs 1955, Aldrich 1995). With a few caveats, policy outcomes are expected to hew largely in the direction of the median voter as parties compete for public support (Grofman 2004).

However, a Downsian view of parties offers an incomplete depiction of legacy costs. There is a clear divide between the parties in America, with Republicans favoring austerity and Democrats preferring greater generosity. Republicans traditionally want to reduce the size of government while Democrats are more favorably disposed to the public sector. This core divide is central to their party identities and the way they appeal to voters.

[6] This includes whether to cover dependents, provide prescription drug coverage, pay a retiree's premium, and so on.
[7] State of Wisconsin, "Certified Annual Financial Report for Fiscal Year Ended June 30, 2012," prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, p. 137; State of Wisconsin, "Certified Annual Financial Report for Fiscal Year Ended June 30, 2015," prepared by the Department of Administration, Division of Executive Budget and Finance, State Controller's Office, p. 126.

The problem with a Downsian approach to OPEB is that voters are largely uninformed about it. There are huge information asymmetries between what organized interests and politicians know about OPEB as compared to the average voter. Given that OPEB liabilities were not reported until the last decade, there have never been voter preferences on OPEB to which politicians might respond (Achen and Bartels 2016, McMahon 2012). Consequently, there is not a clear "median voter" position on OPEB, and policy outcomes do not correlate perfectly with the party in power. The problem is not with Democrats; they consistently behave as one might predict. States with Democratic legislatures have per capita OPEB liabilities more than double their Republican counterparts.[8] Republican states, however, stray further from the script, exhibiting wider variation in their liabilities.

Variation in OPEB liabilities highlights the need for an alternative theoretical framework. In particular, we need an account of how public sector unions' preferences get translated into policy. Our argument views political parties as informal coalitions of interests, rather than as collections of vote-seeking politicians (Bawn et al. 2012, Karol 2009). In this way, parties and interest groups cannot be separated; they interact to shape policy outcomes. This is not to say that the interests of organized groups and political parties are always aligned. A core tension exists between public sector unions and Republican politicians, who vary in their incentives to represent the interests of public sector labor. In the next section, we specify conditions under which unions are able to secure generous OPEB packages or, alternatively, when Republicans are able to curb spending.

Predicting OPEB Policy for States

[8] From 2010-14, states with Democrat-controlled legislatures averaged per capita liabilities of $2,945 [SD: 2,735]. Republican held states averaged only $1,243 [SD: 2,391].

Our approach views political parties as coalitions of "intense policy demanders," recognizing that parties are responsive to organized groups because those groups can offer critical financial and organizational support. Parties are the vehicles for realizing the demands of interest groups, rather than autonomous political actors appealing to the median voter position. In addition, this Schattschneiderian approach encourages scrutiny of how the particular traits of a given policy shape its' politics. This idea is that "policies make politics" (Schattschneider 1935, 288). We show how organized interests, party coalitions, and policy features underwrite the behavior of Democrats and Republicans in state legislatures when it comes to OPEB policy.

One of OPEB's key features is the one-sided interest group environment. Public sector unions have incentives to push for greater benefits, but there is no organized counter-force to pressure legislators in the opposite direction. As the sole interest group in this policy domain, public sector unions can serve in the coalitions of both parties. Unions channel the political preferences of governments' own employees through lobbying, electioneering, and voting. Insofar as they receive material benefits directly from current policy arrangements, unions are deeply invested in policy outcomes (Moe 2015). Their members live in every state legislative district in the nation, which means that they are salient constituents for all elected officials.[9] Public employees tend to have higher levels of education and vote at higher rates than average citizens (Rosenfeld 2014, Leighley and Nagler 2007, Johnson and Libecap 1991). Public unions have a steady supply of money for campaign donations and lobbying activities from member dues that are deducted directly from members' paychecks by their government employers. Government worker unions in each state are organized as federations where local unions (representing particular job titles, municipal workers, a school district's teachers, and so on) pay

[9] This group includes employees in police, fire, sanitation and other public services. As a result, they are spread through the state, not concentrated only in capital cities.

a percentage of their dues revenue to a statewide affiliate. Both individual locals and statewide federations lobby and make contributions to state politicians. In sum, we argue that union strength—defined as the percentage of public workers belonging to unions—increases parties' incentives to represent unions' interests.

How does this shape OPEB? We assume that unions pursue their members' self-interest in higher salaries and better benefits. When bargaining with unions, states face stiff budgetary constraints regarding salary increases, while the constraints on deferred compensation, such as retiree healthcare, are more relaxed. When the limit on salaries raises has been reached, unions will push for deferred forms of compensation. They have incentives to do so, because their leadership tends to be more responsive to older members who are more likely to attend union meetings and vote in union leadership elections (Levi et al. 2009, Moe 2011, Summers 2000). Because older workers are more concerned about retirement, OPEB enhancements are an attractive item with an attentive constituency within public unions, especially those in the protective services (police, corrections officers, and firefighters). Crucially, insofar as OPEB promises are contractual obligations, union members can be confident that the benefits will be paid irrespective of the state's long term financial condition.

Given the push from unions for expanded benefits, the question becomes whether parties represent these interests. As organized labor's traditional allies, public employee unions have, over the last 30 years, become the core of Democratic coalitions in many states (DiSalvo 2015, Moe 2011, West 2008). In addition, Democrats' broader coalition supports greater government consumption and generosity to its employees. As a result, Democratic support for OPEB varies less significantly as a function of public sector union strength.

For Republicans, the relationship is more complex. Republicans are not immune to public sector influence. In states where unions are strong, public sector interests will be a core part of the Republican coalition. For example, state police and prison guards (who also happen to be the public employees most likely to retire early and to draw on OPEB the longest) are often allied with state Republican parties. In these cases, and in spite of their traditional opposition to government spending, Republicans face pressure to represent these employees' unions (Page 2013, Stein and West 2013). Republicans interested in capturing unions' political resources cannot adopt strongly conservative positions on government labor relations without alienating this potential source of support. This may lead to state Republican parties aligning with unions on certain issues – or at least a faction of the party doing so – such that it shifts the balance in favor of union positions.

Republicans in strong union states found that very few political points could be won by opposing public employee benefits and that the costs of doing so could be high. For example, a New York state senate committee has three times passed a bill sponsored by Republican Senator Andrew Lanza of Staten Island designed to prevent state and local government employers from restructuring OPEB without first bargaining with public employee unions. If the bill were to pass into law, it would offer even greater protection to the retirement health insurance coverage promised to New York government employees (McMahon 2016).

Lanza's behavior illustrates the sometimes close relationship between Republicans and labor. Consider campaign contributions from public sector unions. The average public sector union contributions to Republican state legislative candidates in New York is $14,500 per cycle, which is nearly identical to what the unions give Democrats ($14,700). The proximity between Republican and Democratic donations is no coincidence given public union strength in New

York, which has the nation's highest government unionization rate. Lanza is an especially telling example of Republican representation of union interests, earning $46,800, or three times the average New York legislator's contributions. Lanza represents a nationwide trend. Across the U.S., Republicans receive twice as much in high unionization states ($91,000) than in low unionization ones ($45,800). Therefore, Republicans are not always in direct conflict with unions, particularly when those unions are relatively strong.

Of course, there are still conditions under which Republicans pursue their traditional commitment to smaller government. In states with weaker unions, Republicans have been more forthright about pushing for cuts to retiree healthcare or never making expansive promises in the first place. For instance, Republicans in the North Carolina state legislature moved in 2015 to eliminate entirely retiree healthcare benefits for new hires (Campbell 2015). It is no coincidence that this happened in a state with 2nd smallest rates of public sector unionization in the country.

There are several other traits of OPEB that shape how unions and parties interact. As mentioned above, retiree healthcare is characterized by sharp information asymmetries. This allows organized interest groups and their party allies to enact their preferences largely out of sight of average voters. Until recently, governments did not report their liabilities, the media did not cover the issue, and citizens were uninformed. There was no way to activate voter preferences or get politicians to respond to them. On the other hand, public employees—those with a tangible stake in OPEB—knew about the issue and had reasons to care about it. Union leaders, especially in states where OPEB is a subject of collective bargaining, were intimately familiar with the stakes. Using union communications—newsletters, email blasts, mailings, meetings, and workplace conversation—they could pass knowledge on to members. Consequently, state legislators could respond to union demands and enact whatever policies they

wanted by exploiting an "electoral blind spot" (Bawn et al. 2012). For Republicans in particular, this means one of two things. If unions are weak, the party can seek to limit retiree healthcare benefits, which is line with Republican ideological preferences. Or, if unions are strong, the party can support expanded benefits without risking broader electoral pushback from their average voters.

Perhaps the most important policy feature of OPEB is that it is deferred compensation. Public employees earn a valuable benefit today and the government pays the bill tomorrow. Thus OPEB interacts with politicians' time horizons in ways that encourage expansion. It allows politicians to promise something to employees now and have the bill come due when other politicians are in office, when other workers are paying taxes, and when other voters are headed to the voting booth. Deferred compensation relaxes incentives to drive a hard bargain. Management can trade smaller salary increases now for future benefits in retirement. For Republicans, this again means that they can align with stronger unions to secure political support without risking voter reprisal.

These aspects of OPEB policy complicate the ways in which parties behave. By looking at parties as coalitions of intense policy demanders, and by taking into account the specific traits of OPEB, we can see why Republicans may face pressure to support benefits spending under certain conditions. Taken together these factors incentivize Republicans in strong union states to align with the unions (and implicitly with Democrats) in favor of expanding benefits. In addition, these features of OPEB reveal how the unions can be successful at winning better benefits under certain conditions of party competition.

Of course, we do not always observe a move toward more expensive benefits. There are also aspects of the political environment that push in the direction of reduced OPEB, which helps explain the variation in outcomes across states.

First, as we stress, the interest group landscape is highly uneven. Public sector unions are strong in some states but weak in others. In New York 70 percent of public employees belong to unions, while in North Carolina only 9 percent do. In weak union states, or in states where public employees aren't well organized, Republicans will respond to a different coalition of policy demanders and seek to limit OPEB promises. We find that Republican states are, on average, less generous in the provision of OPEB. However, as union membership increases, Republican legislators' abilities to constrain spending declines.

Second, the legal protections for OPEB are weaker than those for pensions (Monahan 2016). In most states, reducing future pension accruals for active employees in the public sector is illegal. State governments generally have much more legal flexibility over OPEB, as it is usually established by collective bargaining contracts, which come up for renegotiation every few years. If elected officials wish to adjust OPEB costs, they can do so. Governments do not face high legal hurdles in most states, and therefore, OPEB is not a static policy (Clark, Sandler Morrill, and Vanderweidec 2014).

Third, OPEB costs are paid out of operating budgets, which makes their costs more transparent to policymakers. In the pension context, politicians can more easily push costs into the future and hope that markets will pick up the slack if they fail to make sufficient contributions. That's not possible for OPEB. The "pay-go" approach creates an incentive to get a handle on costs since policymakers can see the trade-offs. This gives greater license to

Republicans to push for austerity and weakens Democrats desire to expand benefits when they can see how it constricts their ability to address other issues.

Ultimately, a Schattscheiderian approach to the politics of OPEB gives us an explanation for why some states have made larger retiree healthcare promises to their public employees than have others. Democrats traditionally align with public sector unions in an effort to expand benefits. The core political tension is on the Republican side. All else equal, Republicans would pursue greater austerity. Yet, in light of all of OPEB's traits, Republicans can have clear incentives to represent the interests of public sector unions. We argue that these incentives are stronger where unions are stronger. This generates to the following testable predictions:

H1. *OPEB liabilities are higher in states with stronger public sector unions, on average.*

H2. *OPEB liabilities are lower (higher) in states with Republican (Democratic) legislatures, on average.*

H3. *OPEB liabilities in Republican states are conditioned by the strength of public sector unions.*

Before presenting the analysis, we recognize several implications of our argument. Our theory makes two simplifying assumptions. First, our hypotheses focus solely on whether the majority legislative party is Democrat or Republican. However, the same dynamics can be applied to a legislature's ideological composition. More conservative legislatures ought to be associated with lower OPEB liabilities, all else equal. Second, we recognize that the importance of the legal environment governing public sector labor relations—e.g. duty to bargain laws. These laws affect how interest groups and politicians interact with one another. A legal

environment that strengthens unions should be associated with greater OPEB liabilities. Given these concerns, we consider both ideology and the legal structure of bargaining in our analysis.

Data

We collected data on states' total OPEB liabilities and on the partisan and ideological composition of state legislatures. The data contain one row per state *i* in year *t.*[10] The years range from 2010 to 2014, the period for which the most complete record of total OPEB liabilities is available. The data measure OPEB plans managed directly by the state and the local plans that the state subsidizes. This ensures that the data capture the portion of OPEB liabilities within the state legislature's jurisdiction.

OPEB reporting is a relatively recent legal obligation. There is not comprehensive yearly data available prior to our sample period. This has implications for our study. The lack of transparency in this policy area means that we cannot measure the political conditions in a state when OPEB promises were initially made. Instead, our estimates are best interpreted as correlations between features of the current political landscape and total liabilities. Working in our favor, however, is the fact that these features remain relatively stable over time. Public sector unionization rates were 33% nationwide in 1983—the same as the average rate across our sample. And, public unionization rates in many states have barely budged over that period. It is true that party control of the state legislature changes periodically but the average year-on-year change in state legislative chambers' ideology is nearly zero since 1993. Therefore, it is unlikely

[10] The data contain all states except for Nebraska, which does not report an OPEB liability in any of our data sources.

that our analysis overlooks big changes that may have shaped contemporary OPEB liabilities.[11] Rather, we provide an account of the political conditions that predispose states to more or less liabilities.

MEASURING OPEB

Since 2006, states have been required to report OPEB liabilities by the Government Accounting Standards Board's (GASB) Statements 43 and 45. However, states are not harmonized in the manner in which they present their liabilities. Previous studies focus mainly on one year given the difficulties of data collection.[12]

Here, we combine data from multiple sources to provide the most complete picture of total OPEB liabilities since reporting became mandatory. Our principle sources include research by the Pew Charitable Trusts, the U.S. Government Accountability Office, and State Budget Solutions. Pooling these resources provides OPEB observations for all 49 reporting states from 2010-2014.[13] To our knowledge, this represents the most complete record of OPEB data.[14]

Note again that OPEB is distinct from pensions. Measuring pension spending and liabilities (both funded and unfunded) requires a fuller consideration of states' accounting standards and the various ways in which states plan their investments and manage their costs. OPEB is different. Most states do not set aside a lump of money that they then invest with some

[11] The cause of one such shift would be the Great Recession, which we regard as a common shock across the U.S. One advantage of starting the sample in 2010 is that the Great Recession can be regarded as a common shock that affected all states' fiscal policy priorities.

[12] Existing studies also point out the difficulties associated with gathering OPEB data. For example, states may not report one total figure. As a result, previous researchers have gone beyond states' Comprehensive Annual Financial Reports (CAFRs) to also look at benefit plan documents and reports from other government agencies.

[13] We ensure that these sources are measuring are the same thing—i.e., total OPEB liabilities. Some sources report accrued liabilities, liabilities per capita, or just that portion of the liability that is unfunded. Where required, we rely on multiple sources for the same year to increase our confidence in the validity of the measure.

[14] Several sources provide data from earlier years. However, 2010-2014 is period we can confidently fill in without gaps.

expectation of future returns – and those that do have only begun to do so recently and their plans are almost completely underfunded. Instead, states primarily fund OPEB benefits on a pay-as-you-go basis. This means we can we look at liabilities without first engaging in a debate over their actuarial assumptions and the extent to which the plans are funded versus unfunded.[15]

We look at total OPEB liabilities per capita. We are particularly interested in the overall financial burdens states have to bear. Looking at total per capita liabilities tells us essentially what each state resident "owes" to cover these benefits. Note that per capita OPEB liabilities are highly skewed. Average liabilities are $2,064 per person [SD: 2,908] although the median is only $1,266. To adjust for the skewed nature of the data, we log OPEB liabilities per capita ($OPEB_{i,t}$).[16] Below, we note that we also used several alternative measures, including OPEB over state GDP and over the total state public sector employees.

MEASURING PUBLIC SECTOR INTERESTS AND PARTIES

Our independent variables operationalize two concepts: interest group strength and control of policymaking. In the context of OPEB, the relevant interest group is public sector unions. Comprehensive data on unionization rates is available from Hirsch and Macpherson's (2003) *Union Membership and Coverage Database*.[17] They provide a detailed record of employees by sector and the rates at which workers are unionized. From this data, we draw their

[15] It is likely that states underreport their liabilities. States may have incentives to increase benefits but, at the same time, they want to mask total liabilities and expenditures. If states underreport OPEB, that would bias against evidence of expansion under the conditions we theorize.

[16] Per capita liabilities could be influenced not just by the generosity of the policy, but also by variation in the costs of providing healthcare across states. However, we are interested in each state's overall financial position. Thus, we measure the total OPEB "bill" each state owes rather than the specific features of individual policies (of which there are many hundreds).

[17] The data are accessible at http://unionstats.com/ (accessed July 7, 2016).

measure of the percent of public employees who are union members in state *i* during year *t* (*Unionization*$_{i,t}$).[18]

We rely on two indicators to measure control of the policymaking process. The first is the proportion of seats that Republicans hold in state *i*'s legislature. Given our argument, OPEB liabilities ought to decrease in the share of Republican-controlled seats.[19] Data is available from the National Conference of State Legislatures' *State Partisan Composition* database.[20] This resource provides full records of the number seats both parties hold in each chamber from 2009 to 2015. Our measure (*Republican Share*$_{i,t}$) is the total proportion of seats that Republicans hold across both chambers.[21] Using this continuous measure allows for the possibility that variation in the degree of legislative control—i.e., the size of a party's majority—influences the coalitions they build. For example, Republicans with tighter grips on the state legislature may have less incentive to reach out to unions than Republicans in more competitive states.[22]

An alternative measure of policymakers' preferences is ideology. Ideology captures variation both across and within parties. Among other things, ideology signals a legislator's attitude about the size of government.[23] Shor and McCarty (2011) provide data on the average

[18] The data also includes the percent of public sector employees *covered* by a collective bargaining agreement. However, since these employees are not union members, they are likely to free ride rather than mobilize politically for OPEB (or any other benefit). Focusing only on union members measures the politically interested group more directly. Below, we note that the results work when using either measure.
[19] Or, liabilities increase in the share of Democratic-held seats.
[20] Data can be found here: http://www.ncsl.org/research/about-state-legislatures/partisan-composition.aspx (accessed July 7, 2016).
[21] Nebraska is the only US state with a unicameral state legislature. However, they are not included in our sample since they do not report an official OPEB liability.
[22] An alternative measure of legislative control would be to just create a 0/1 indicator of whether Republicans are in power. However, a dichotomous indicator of legislative control ignores the degree of competitiveness for chamber control, which we think is substantively important. When we run the baseline model with a dichotomous indicator, the substantive interpretation remains consistent but the level of significance drops from 5 to 10 percent.
[23] Ideology measures are imperfect. Among other things, they rely on assumptions about legislators' votes as evidence of underlying preferences. However, using two measures of legislative control increase our confidence in the estimates.

ideological positions of parties in each state legislative chamber.[24] Averaging these scores across chambers provides a depiction of the ideological position of the state legislature overall. We predict that legislatures further to the political right ($Conservative_{i,t}$) provide less generous OPEB packages.

Our theory states that there is a conditional relationship between interest group strength and partisan/ideological control of policymaking. The main independent variable is therefore the interaction of $Unionization_{i,t}$ and $Republican\ Share_{i,t}$ (or $Conservative_{i,t}$ where noted).

Table 1 charts where states fit into broad categories of the independent variables averaged over the sample period (2010-2014). States are placed relative to whether they are above or below the sample mean of $Unionization_{i,t}$ and $Republican\ Share_{i,t}$.[25] The parentheses report national ranking of OPEB liabilities per capita.

Average OPEB rankings in each category are consistent with our predictions. We expect that the largest liabilities are in states with (A) high levels of unionization and (B) Democratic/liberal control of the legislature. Those states (the lower left-hand box) have an average OPEB ranking of 17th place. States in the opposing situation—low unionization and Republican/conservative control—are less generous (placing 33rd).

CONTROL VARIABLES

The models control for a variety of confounding factors. First, we control for each state's available resources and financial position. This includes measures of total $Tax\ Revenues_{i,t}$ and of state government $Debt_{i,t}$. Both are taken from the U.S. Census Bureau and are measured as a

[24] The Shor and McCarty *American Legislatures* project is available here: https://americanlegislatures.com/ (accessed July 7, 2016).
[25] States above the mean of $Conservative_{i,t}$ are all Republican-held legislatures. Therefore, placing states in accordance with their average ideology or partisan score results in the same table.

percentage of state GDP. States with higher revenues have the luxury of providing larger benefits packages. Conversely, states already facing high debt might be less generous due to existing financial constraints.

Second, we include two measures related to the demand for—and size of—government benefits. One is state-wide $Unemployment_{i,t}$ based on data from the Bureau of Labor Statistics and measured as a percentage of the total workforce. The other is the size of states' pension liabilities. Pension plans are distinct from OPEB for the reasons outlined above. However, pensions help signal a state's overall generosity toward its retirees ($Pensions_{i,t}$).[26] Pensions are measured as a percentage of state GDP.

Other controls in our robustness checks include measures of the retiree population, per capita incomes, GDP growth, and a variety of other indicators of a state's economic health and the demand for government consumption. Note that all of our reported models are ordinary least squares (OLS) estimations[27] with heteroskedastic-robust standard errors.[28]

Analysis

We now test the validity of our hypotheses. The evidence shows that OPEB liabilities are shaped by the interaction of interest groups and policymakers in ways that align with our expectations. Republican/conservative-controlled state legislatures are less generous on average. However, party strength does not tell the whole story. States with high levels of public sector unionization end up with more expensive OPEB packages regardless of who controls the

[26] Note that pensions and OPEB are not collinear. They are correlated weakly (0.29).
[27] The results are robust to using panel-corrected standard errors. This approach is useful when wishing to correct for traits common to pooled panel data. However, note that our panels are "short"—the time period for each panel (state) is only 5 years. This has implications for modeling strategy. For example, including fixed effects for each state significantly reduces our degrees of freedom and leads to less efficient estimates.
[28] A Breuch-Pagan test confirms the presence of heteroscedasticity in the data ($\chi^2 = 17.24$).

policymaking process. Republicans are not immune to influence by traditional political opponents. Rather, the results suggest that (uncontested) interest groups can advance and protect their interests even when policymakers' preferences might diverge.

BASELINE MODELS

Model 1 looks at how public sector unionization interacts with partisan control of policymaking (Table 2). Note that the controls behave largely as expected. States with higher tax revenues tend to spend more, as do states with higher unemployment. Governments facing larger debts also have greater liabilities, suggesting that debts are a legacy of—rather than a constraint on—benefits spending.

Turning to the independent variables, the effects of unions and party control support H1 and H2. Holding everything else at its sample mean, OPEB liabilities are $375 larger per capita when moving across the interquartile range of $Unionization_{i,j}$.[29] To put that in perspective, the average liabilities across the sample are roughly $2,000. This supports H1, which predicts that union size increases benefits and therefore liabilities. Looking at party control, the predicted liability at the 25th percentile of $Republican\ Share_{i,t}$ (0.37) is $1,400. At the 75th percentile (0.62) of the range, the prediction is $750. The $700 difference supports the idea that Republican states are liable for less on average (H2).

The estimates also support H3. Republican control is associated with smaller liabilities *only* when unionization rates are low. In states with relatively lower levels of unionization[30], higher Republican seat shares results in a $2,015 *decrease* in average liabilities.[31] Where union

[29] The IQR corresponds to $Unionization_i$ values of 0.16 (25th percentile) and 0.51 (75th percentile).
[30] "Low" and "high" are again measured as the IQR for $Unionization_{i,t}$.
[31] In terms of logged OPEB, the predicted values are 7.75 [7.22, 8.28] for low Republican seats shares and 5.77 [5.35, 6.19] for high seat shares. Brackets report 95% confidence intervals.

levels are high, higher Republican seat shares result in a negligible decrease in OPEB liabilities of only $156.[32] Thus, in the absence of strong unions, Republican control is correlated with far lower liabilities. As union strength grows, the difference between Republican- and Democratic-held states diminishes.

To depict this visually, we plot the substantive effects in Figure 2. Figure 2 shows how unionization rates affect liabilities for Democratic and Republican legislatures separately.[33] As predicted, unionization has an insignificant effect in Democratic states; Democratic legislators support more generous benefits irrespective of union strength. In Republican states, strong unions prevent Republicans from reducing benefits.

Policymakers' attitudes can also be measured via ideology scores. Model 2 looks at the ideological position of the state legislature (Table 2) and the results are comparable. Conservative legislatures are associated with smaller liabilities *only* in the absence of high unionization. The substantive difference is more dramatic (see Figure 3). Where unionization is low, conservative legislatures offer $2,472 less OPEB per capita than their more liberal counterparts.[34] Where unionization is high, conservatives and liberals offer roughly the same amount (a negligible $134 difference).

The point predictions for both baseline models are plotted in Figure 3, which includes the 95% confidence interval around each prediction and the real dollar value corresponding to each prediction. Across both indicators, the estimates support the core hypotheses. States with high

[32] The substantive effects are calculated by holding $Unionization_{i,t}$ at either the 10th (11.85) or the 90th percentile (58.6) of the range, then moving $Republican\ Share_{i,t}$ from the 10th (0.287) to 90th (0.711) percentile. When calculating the effects over the inter-quartile range, the predicted difference in liabilities is still 3 times larger for states with low unionization rates ($976 as opposed to $302). The negatively sloped line for Democrat-held states is likely an artifact of how few states have (i) low unionization rates and (ii) high Democratic seat shares. One of these is West Virginia, whose high OPEB liabilities are an outlier among states in this category.

[33] "Democratic" and "Republican" legislatures are defined here as the values of *Republican Share* at the 25th and 75th percentiles, respectively.

[34] Predicted values at low unionization are 7.94 [7.22, 8.67] for more liberal legislatures, and 5.87 [5.37, 6.38] for more conservative ones. The equivalent dollar values are $2,807 and $354.

levels of unionization have larger liabilities on average (H1). Republican-held legislatures have lower liabilities (H2). Republican/conservative state legislatures only appear to provide more austere benefits packages in the absence of strong unions (H3).

ROBUSTNESS CHECKS

The results are robust to a variety of model specifications. To begin with, note that we tested alternative codings of the dependent variable (omitted here for space). These included OPEB as a percentage of state GPD to take each state's market size into account. They also included OPEB per state employee. We rely on per capita in our baseline models because we want to know "what OPEB costs" the average citizen, whether they are eligible for benefits or not. When we look just at OPEB per state employee, we see just how much state employees are liable for the public sector. The results are consistent with both alternative measures.

In addition, our baseline models focus on state legislatures without taking the governor's office into account. We added a control for whether a state has a $Divided_{i,t}$ government—that is, whether the party of the governor differs from the majority legislative party (Models 3a-3b, Table 3). We also control for whether the state legislature changed from a Democratic to a Republican majority in our sample period ($Shift\ Right_{i,t}$). Most of the significant moves to the political right occurred going into 2010; since then there has been less volatility. However, the shifting composition of state legislatures may have an independent effect on OPEB liabilities (Models 4a-4b, Table 3).

Our independent variables neglect the distance between parties. Yet polarization has received a great deal of recent attention, and deeply polarized legislatures might produce unique public policy outcomes. We control for the difference between parties' seat numbers (Model 5a,

Table 3) as well as their mean ideological position (Models 5b, Table 3). The baseline relationship holds up in the presence of these alternative specifications.

The analysis also does not account for states' legal environments. Formal rules, such as duty to bargain laws, may shape the interactions between public sector unions and policymakers. Table 4 presents the estimates from models that introduce a triple interaction[35] of unionization rates, Republican/conservative control, and a 0/1 indicator of whether a state has a duty to bargain law on the books. Triple interactions are associated with losses of efficiency, which is a concern in a setting with a relatively low number of observations. However, Model 6 provides a first cut at measuring the role played by the legal environment. The estimates are consistent with expectations. Table 5 presents the point prediction for each combination of scenarios. First, states with duty to bargain laws have higher OPEB liabilities overall, spending roughly $580 more.[36] Second, duty to bargain laws attenuate the downward pressure Republican legislatures' place on liabilities. In states with high levels of unionization *and* duty to bargain laws, Republican-held legislatures are liable for only $100 less per capita than their Democratic counterparts. Third, in states without duty to bargain laws, Republicans are associated with far lower liabilities. At low levels of unionization, liabilities fall by roughly $700 per capita as Republican seat shares increase. These estimates suggest that duty to bargain laws further strengthen unions' political positions, increasing OPEB liabilities and preventing Republicans from rolling back states' benefits packages.

We ran additional tests, which are available in our replication materials. As stated above, we do not have data on each OPEB plans specific characteristics. However, we proxied the

[35] Triple interactions suffer from losses of efficiency. This is especially costly in our setting given our relatively small number of observations. However, the results from these tests are consistent with an alternative approach—running the baseline model on split samples of states with or without duty to bargain laws.

[36] Logged liabilities are for states without duty to bargain laws are 6.15 [5.83, 6.48]. In states with duty to bargain laws, they are 6.95 [6.32, 7.57].

"costs" of providing benefits by controlling for the proportion of the state's population over 65. We also considered the role of campaign contributions, controlling for the money that public sector unions give directly to state parties. Even with additional controls there might be unobserved influences on OPEB liability.[37] We included year fixed effects to address trending over time. We also included region fixed effects to account for the strong regional patterns in public benefits generosity.[38] In terms of other estimators, we estimated the model using panel-correct standard errors since our data exhibits some of the traits commonly associated with cross-sectional time series data.

The core relationship holds across all of these tests. Taken together, there is strong evidence that interest groups and state legislators of both parties interact to create variation in the generosity of public employee retirement benefits. This is non-trivial. The results show that neither party-centric nor interest group-centric perspectives can explain the provision of public employee benefits. While public sector unions have the interest group arena to themselves on OPEB, they face opposition from policymakers with diverging preferences. And yet unions are able to influence Republicans, who are traditionally opposed to generous benefits, in states where public employees can secure a place in the Republican coalition. Taken together, the analysis shows that explanations of state fiscal policy ought to include accounts of both parties and interests.

Conclusion and Implications

[37] We looked at each state's per capita incomes and GDP growth to capture a state's economic wellbeing.
[38] The year dummies were collectively insignificant. Given that OPEB reporting is relatively new, and the temporal span of our sample is narrow, it is unlikely that liabilities are exposed to year-specific shocks in our sample. More likely, OPEB was shaped by the Great Recession, an effect which would have taken hold just prior to our analysis. Future research might wish to look at the effects that the 2008 downturn had on state financial positions, and specifically how this shaped OPEB. Region dummies, conversely, were collectively significant. However, the core estimates remain consistent with the baseline models.

The financial burden of pension and retiree healthcare promises to current and former public employees is huge for many state governments. Even as reforms are enacted, the costs of these promises will continue to put a squeeze on public budgets, consume larger proportions of tax revenue, and constrain governments' ability to provide goods and services to their residents.

Despite heightened public interest in the topic of legacy costs in state government brought about by the 2008 recession, scholars have yet to devote much attention to it. This paper sheds new light on how OPEB policies, which vary widely across U.S. states, are determined. It is the first to address the politics of this policy issue and we assembled new data that had not previously been available. In addition, we showed how OPEB policy can serve as an important test case for current theories of public policy formation. We show that interest groups, notably public sector unions, and both major political parties interact to bargain over public sector benefits.

The empirical analysis shows strong support for our hypotheses. Republicans spend less on OPEB in states where public sector union membership is lower and the unions are consequently weaker politically. In those states, Republicans do not need to appease unions to bring them into their coalition. Rather, Republicans can act on their preference for more limited government.

The findings have a variety of implications for our understanding of the politics of public policy. First, we show that to grasp policy formation requires an account of both parties and interest groups. But that that account differs from traditional models that placed voters and campaigns at the center of the analysis. Following Hacker and Pierson's Schattschniederian approach, we show how these two actors are inextricably linked. Doing so helps paint a fuller

picture of how OPEB policy is determined, helping explain the wide variation that exists across states.

Second, we show that there are conditions under which Republicans go against their ideological preference for smaller government and align with public sector labor. While Republicans have traditionally been hostile to organized labor, and ideologically opposed to state expansion, we find that public sector unions can make inroads into Republican Party coalition at the state level. Where unions are strong, Republicans have good reasons to support more generous public employee retiree healthcare packages.

Third, consonant with Schattschnieder's claim that policies shape politics, we have shown how the traits of the policy itself shape its formation. Retiree healthcare policy well demonstrates that policy specifics are linked to the fundamentals of politics. We show how paying attention to those specifics provides a richer and more nuanced account. In particular, we highlighted how information asymmetries, deferred payments, a one-sided interest group environment, and more shape the politics of OPEB.

While this paper examined the dynamics that produced a highly uneven landscape of public sector retiree healthcare benefits across the country and developed some theoretical points of importance for the discipline, there is still much more work to do on legacy costs in state government. Future research should look in a more fine-grained way at the political dynamics involved in the collective bargaining processes that produced many of these promises. For now, we maintain that either party strength or ideological composition of the state legislature is a good way to measure the preferences of decision-makers in collective bargaining. The field would also be well served by an analysis, along the lines of the one conducted here, of OPEB policies in city

governments. Fortunately state and local government now have to report their OPEB liabilities, so there will be more data available to scholars.

Looking ahead, there is reason to think that the pressing fiscal challenges created by retiree healthcare (and pensions) in state and local government will induce more scholars to take an interest in the issue of legacy costs. When the next recession occurs, as it inevitably will, it is possible that public employee retiree health benefits will first on politicians' retrenchment agenda. Having a better understanding of the politics of legacy costs would likely benefit not just the discipline but the public as well. This paper has contributed to our understanding of the issue by showing how interest groups, policy specifics, and party alignments have led some state governments, but not others, to make extensive and costly promises to their workers.

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Figure 1. Top 10 Most and Least Generous States

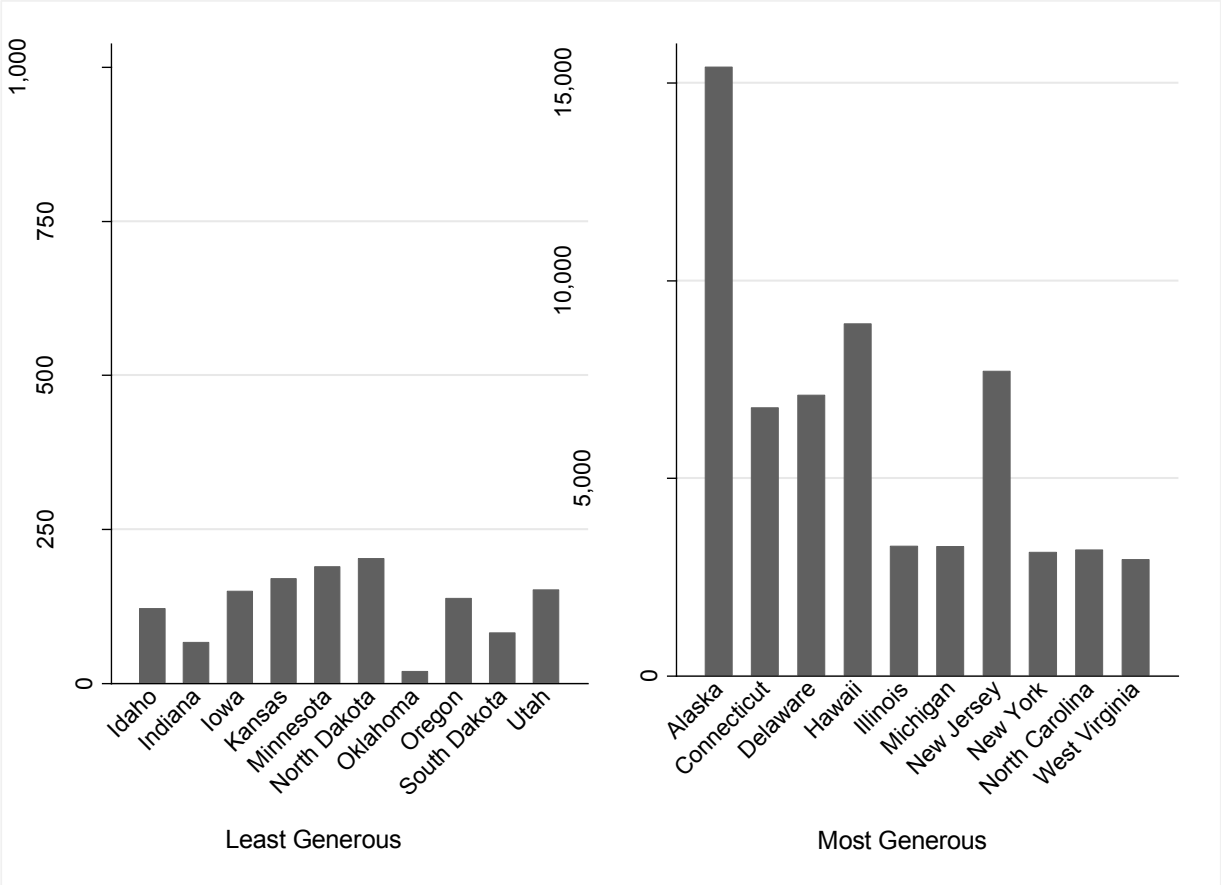


Figure reports the average per capita OPEB liabilities for states over the sample period, 2010-2014. Note that the y-axes are different in the two graphs to better visualize the variation.

Table 1. States by Unionization Levels and Republican Seat Shares

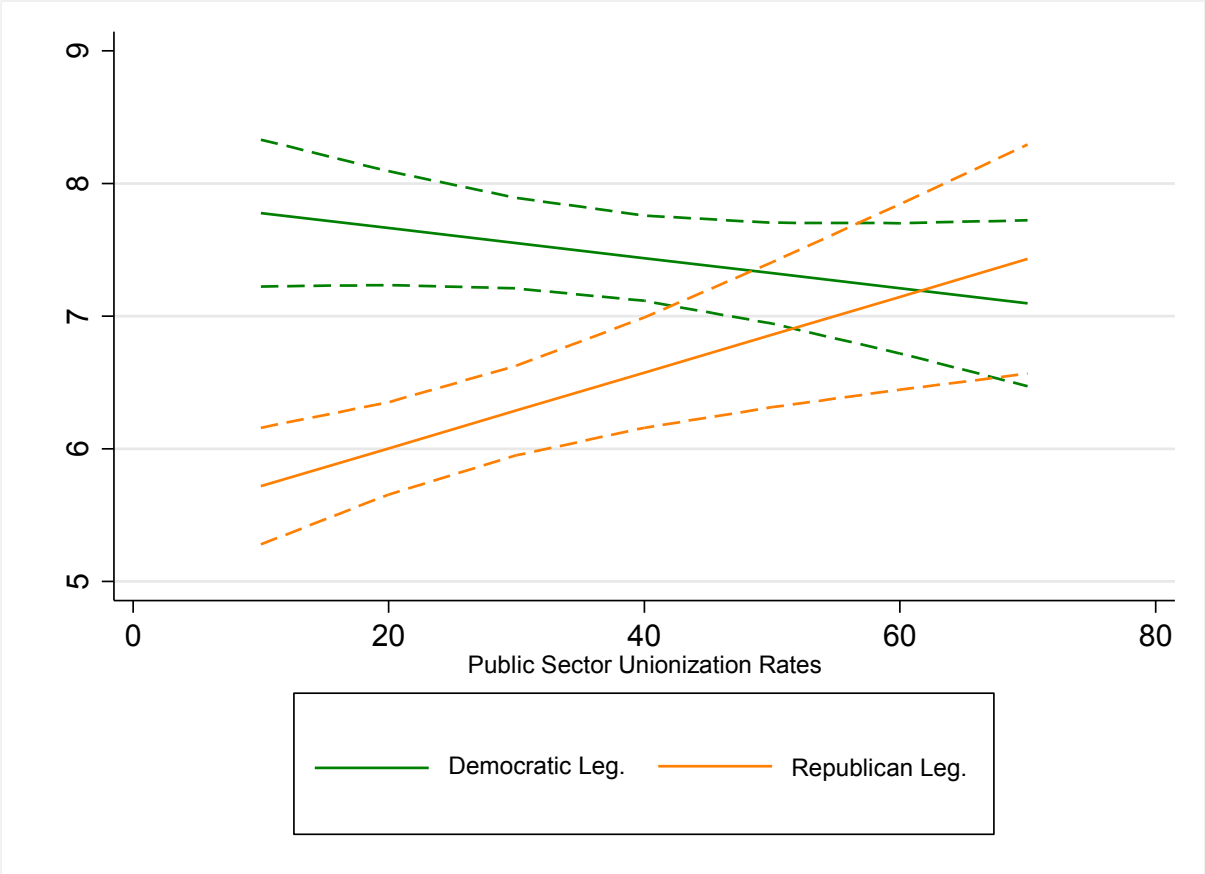
	Democrat		Republican	
Low Unionization	Arkansas (29)		Alabama (10)	Nebraska (N/A)
	Colorado (35)		Arizona (40)	North Carolina (7)
	Kentucky (24)		Florida (34)	North Dakota (39)
	Maryland (17)		Georgia (21)	Oklahoma (49)
	New Mexico (23)		Idaho (46)	South Carolina (18)
	West Virginia (11)		Indiana (48)	South Dakota (47)
			Iowa (44)	Tennessee (36)
			Kansas (42)	Texas (16)
			Louisiana (19)	Utah (43)
			Mississippi (38)	Virginia (28)
			Missouri (31)	Wyoming (33)
	Average rank: 23th		Average rank: 33rd	
High Unionization	California (20)	Vermont (12)	Alaska (1)	
	Connecticut (5)	Washington (26)	Michigan (9)	
	Delaware (4)		Montana (32)	
	Hawaii (2)		New Hampshire (15)	
	Illinois (6)		Ohio (13)	
	Maine (22)		Pennsylvania (25)	
	Massachusetts (14)		Wisconsin (37)	
	Minnesota (41)			
	Nevada (30)			
	New Jersey (3)			
	New York (8)			
	Oregon (45)			
	Rhode Island (27)			
	Average rank: 17th		Average rank: 19th	

NOTE: Table reports average values of $Unionization_{i,t}$ and $Republican\ Share_{,t}$ from 2010-214. Parentheses report the national ranking of OPEB liabilities per capita over the same period. "Average rank" is the mean national ranking for states within each quadrant.

Table 2. Baseline Estimates

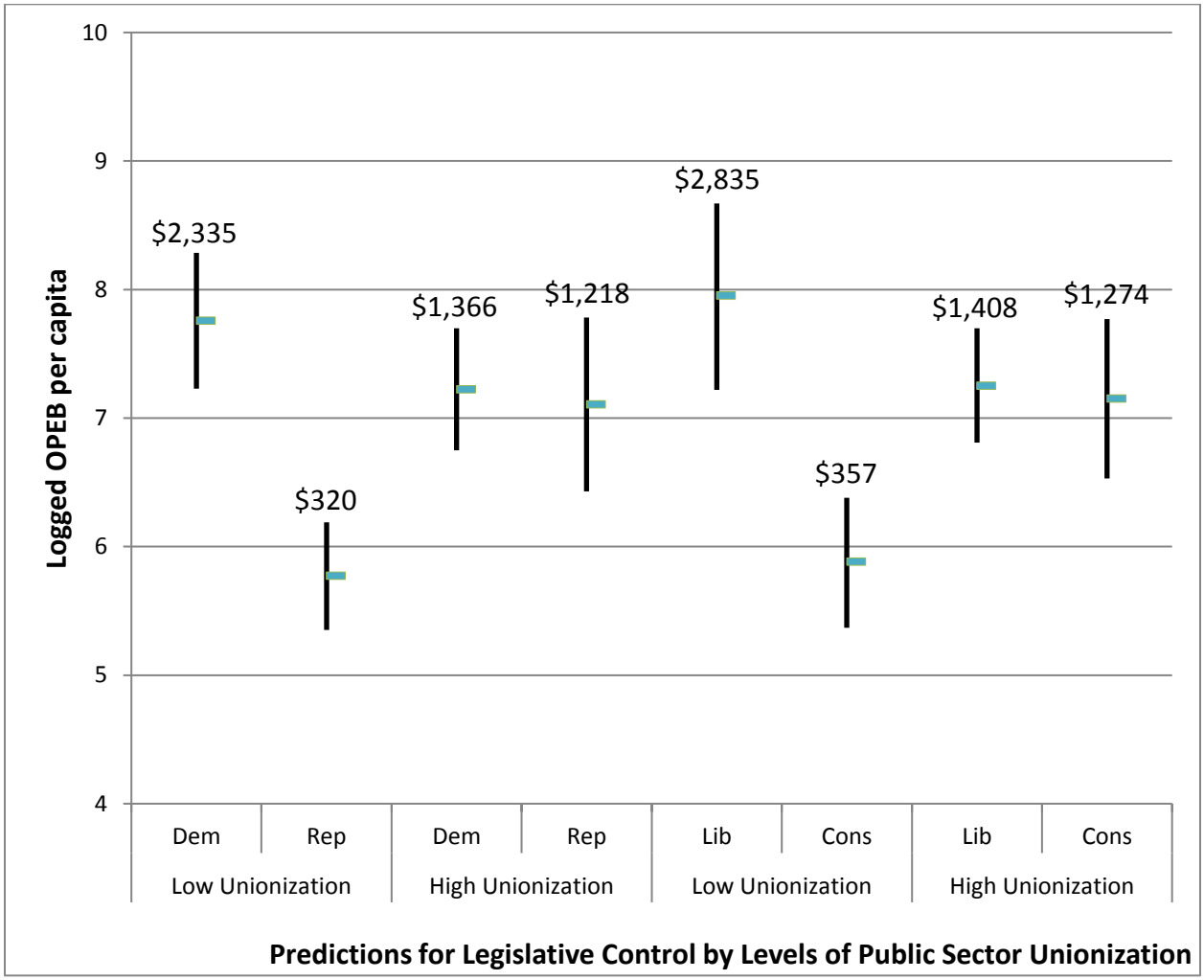
	Models	
Variables	(1)	(2)
$Unionization_{i,t}$	-0.038*	0.007
	(0.016)	(0.007)
$Republican\ Share_{i,t}$	-5.797**	
	(1.116)	
$Union._{i,t} * R.\ Share_{i,t}$	0.094**	
	(0.030)	
$Conservative_{i,t}$		-1.592**
		(0.424)
$Union._{i,t} * Conserv._{i,t}$		0.026**
		(0.009)
$Tax\ Revenues_{i,t}$	9.885*	17.243**
	(4.992)	(4.701)
$Debt_{i,t}$	8.004*	6.361
	(3.442)	(4.180)
$Unemployment_{i,t}$	0.141**	0.224**
	(0.053)	(0.059)
$Pensions_{i,t}$	0.980	0.575
	(1.207)	(1.302)
Constant	7.068**	3.508**
	(1.028)	(0.625)
R-squared	0.34	0.36
N	240	196

Figure 2. Substantive Effects from Model 1



This figure plots the predicted logged per capita OPEB liabilities for Democratic and Republican-held legislatures over different values of unionization. The predictions show an insignificant change in liabilities across the range of unionization rates among Democratic states. They also show an increase in liabilities in Republican states as unionization goes up (consistent with H3).

Figure 3. Point Predictions from Models 1 and 2



This figure shows the predicted logged per capita OPEB liabilities at different levels of unionization and of Republican/conservative control. The key areas to interpret are where unionization is low. Here, we expect to see the largest difference between Democratic/liberal and Republican/conservative generosity. The large gaps between those point predictions are consistent with H3. Where unionization is low, Republicans/conservatives spend less.

Table 3. Robustness Checks

	Models					
Variables	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)
Unionization$_{i,t}$	-0.041**	0.007	-0.037*	0.006	-0.034*	0.010
	(0.016)	(0.007)	(0.016)	(0.007)	(0.017)	(0.007)
Republican Share$_{i,t}$	-6.003**		-5.771**		-7.255**	
	(1.118)		(1.120)		(1.257)	
Union.$_{i,t}$ * *R. Share*$_{i,t}$	0.100**		0.090**		0.085**	
	(0.030)		(0.031)		(0.032)	
Conservative$_{i,t}$		-1.591**		-1.583**		-1.803**
		(0.427)		(0.423)		(0.410)
Union.$_{i,t}$ * *Conserv.*$_{i,t}$		0.026**		0.024**		0.029**
		(0.009)		(0.009)		(0.009)
Tax Revenues$_{i,t}$	9.483	17.251**	9.535	16.646**	10.890*	14.709**
	(5.133)	(4.701)	(4.995)	(4.643)	(4.944)	(5.139)
Debt$_{i,t}$	8.534*	6.339	7.785*	6.182	7.865*	1.871
	(3.397)	(4.232)	(3.470)	(4.133)	(3.336)	(4.758)
Unemployment$_{i,t}$	0.145**	0.224**	0.137**	0.213**	0.142**	0.225**
	(0.053)	(0.059)	(0.053)	(0.058)	(0.053)	(0.060)
Pensions$_{i,t}$	1.177	0.571	0.982	0.594	0.955	1.098
	(1.218)	(1.321)	(1.212)	(1.323)	(1.203)	(1.323)
Divided$_{i,t}$	-0.234	0.006				
	(0.191)	(0.206)				
Shfit Right$_{i,t}$			0.241	0.469		
			(0.350)	(0.359)		
Seat Distance$_{i,t}$					0.007*	
					(0.003)	
Ideology Distance$_{i,t}$						-0.499**
						(0.159)
Constant	7.170**	3.509**	7.116**	3.623**	7.723**	4.600**
	(1.030)	(0.624)	(1.031)	(0.621)	(1.109)	(0.726)
R-squared	0.34	0.36	0.34	0.36	0.34	0.36
N	240	196	240	196	240	196

Table 4. Robustness Checks (Cont.)

	Models	
Variables	(6a)	(6b)
Unionization$_{i,t}$	0.136*	-0.030
	(0.063)	(0.028)
Republican Share$_{i,t}$	1.737	
	(2.481)	
Union.$_{i,t}$ * *Rep. Share*$_{i,t}$	-0.306*	
	(0.149)	
Duty to Bargain$_{i,t}$	6.720**	-1.559*
	(2.044)	(0.689)
*Union.i,t * Duty to Bargain*$_{i,t}$	-0.244**	0.061*
	(0.070)	(0.030)
*Rep. Share.i,t * Duty to Bargain*$_{i,t}$	-15.839**	
	(3.529)	
Union.$_{i,t}$ * *Rep. Share.i,t * Duty to Bargain*$_{i,t}$	0.578**	
	(0.157)	
Conservative$_{i,t}$		-0.782
		(0.707)
Union.$_{i,t}$ * *Conservative*$_{i,t}$		-0.018
		(0.037)
Duty to Bargain$_{i,t}$ * *Union.*$_{i,t}$		-2.464*
		(1.064)
Union.$_{i,t}$ * *Conserv.i,t * Duty to Bargain*$_{i,t}$		0.081*
		(0.040)
Tax Revenues$_{i,t}$	2.090	11.252*
	(5.100)	(4.992)
Debt$_{i,t}$	11.753**	6.734
	(3.077)	(4.254)
Unemployment$_{i,t}$	0.123*	0.177**
	(0.051)	(0.057)
Pensions$_{i,t}$	0.843	0.061
	4.002*	4.828**
Constant	(1.622)	(0.730)
R-squared	0.41	0.39
N	240	196

Table 5. Point Predictions for Model 6a

Party	Unionization	Duty-to-Bargain	Liabilities Logged Per capita	Liabilities Dollar Value
Republican	Low	No	6.30	544
		Yes	4.95	141
	High	No	4.25	70
		Yes	7.20	1,339
Democrat	Low	No	7.09	1,199
		Yes	7.27	1,436
	High	No	7.55	1,900
		Yes	7.28	1,450